

Colville River, Alaska North Slope

ALASKA NORTH SLOPE: A STRATEGIC EXPANSION OPPORTUNITY FOR OIL SEARCH

14 December 2017

OIL SEARCH LIMITED | ARBN 055 079 868 | ASX: OSH | POMSoX: OSH | US ADR: OISHY
www.oilsearch.com



PRESENTATION OUTLINE

❖ INTRODUCTION

- ❖ Strategy & rationale

❖ ALASKA - AOG PERSPECTIVE

❖ ACQUISITION METRICS

❖ ASSET SUMMARY

- ❖ Alaska North Slope - history and geological setting
- ❖ Nanushuk field
- ❖ Exploration upside

❖ TEA BREAK

❖ ASSET SUMMARY CONT.

- ❖ Development plans
- ❖ Stakeholder engagement
- ❖ Programme schedule

❖ PNG LNG EXPANSION UPDATE

❖ FINANCIAL OVERVIEW

❖ Q & A



ALASKA NORTH SLOPE INTRODUCTION

PETER BOTTEN – MANAGING DIRECTOR

OSH STRATEGY AND RATIONALE

OSH HAS WORLD CLASS GAS PORTFOLIO IN PNG

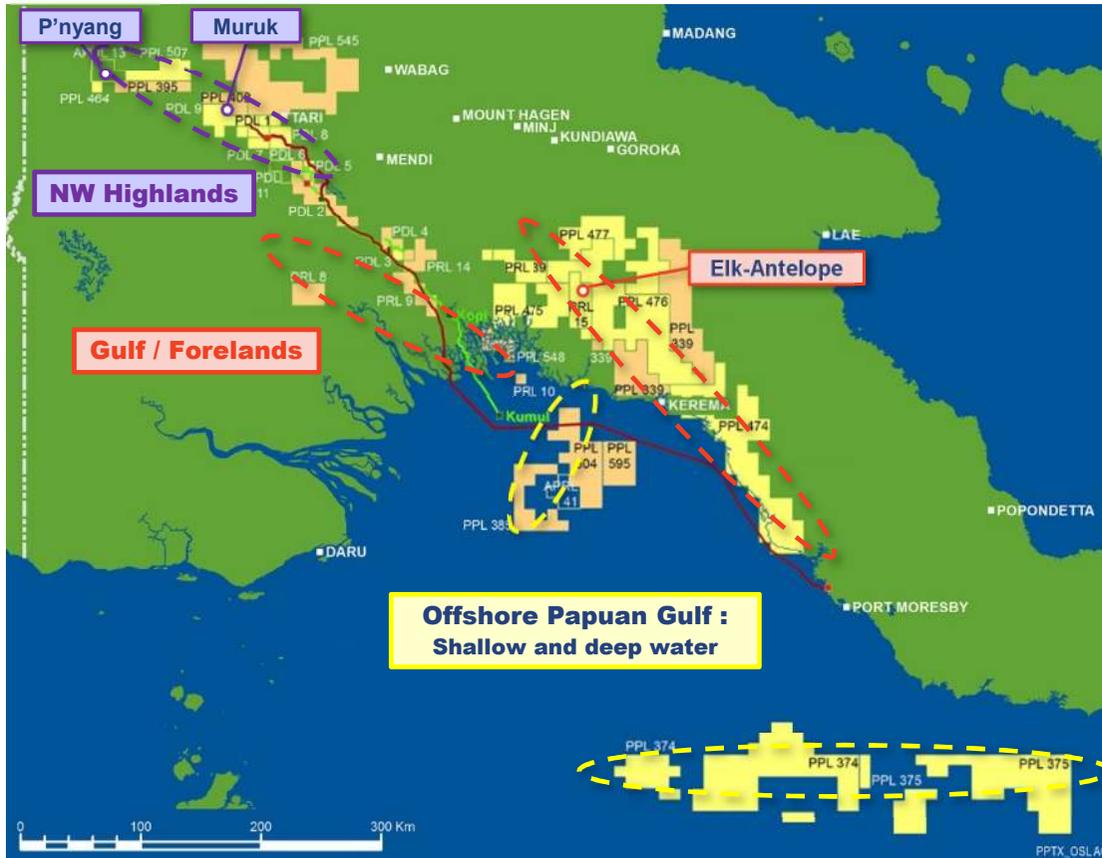
- ◆ Strong resource base
- ◆ >10tcf resource now dedicated to LNG expansion and development
- ◆ Key elements of two train expansion being delivered
- ◆ Appraisal and exploration success delivering resource base for next generation of LNG growth

REALITY THAT LNG PROJECTS ARE COMPLICATED, REQUIRE PARTICIPANT ALIGNMENT, MARKET SUPPORT AND FINANCING

- ◆ Many areas not in OSH control
- ◆ Requires time to commercialise



OSH STRATEGY AND RATIONALE

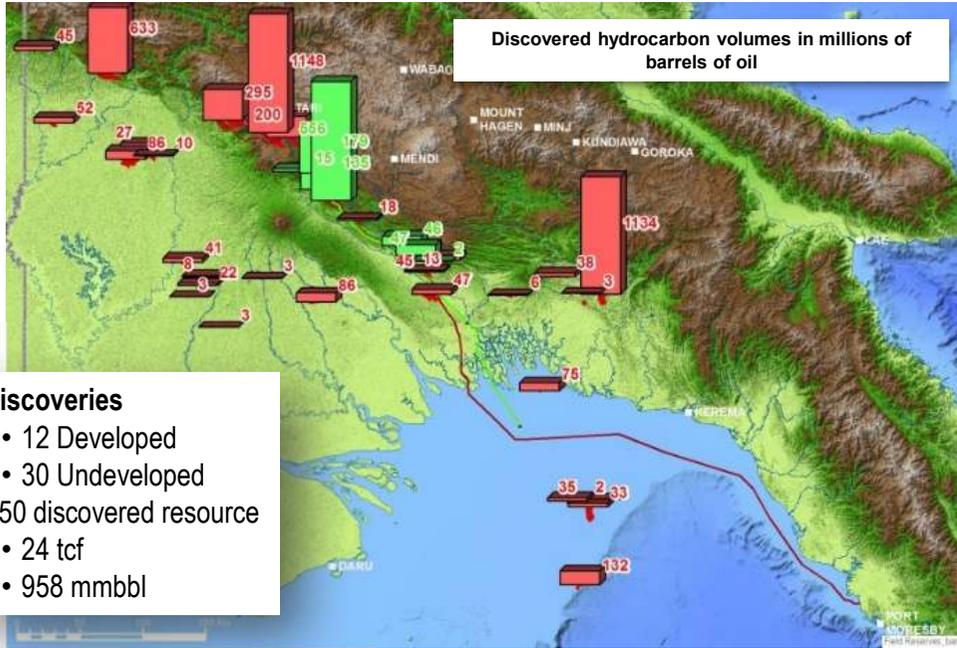


STRATEGIC IMPERATIVE TO ALIGN INTERESTS FOR CONTINUED EXPANSION

- Resources in NW Highlands:
 - Hides-Muruk-P'nyang-Elk-Antelope
 - Onshore Gulf
 - Offshore Gulf
 - Deep water Gulf
- Multiple tcf potential but when and how much do we invest?
- Facilities and infrastructure optimisation
- Coordinated and timely investment in exploration appraisal and infrastructure
- Strategic focus for 2018 – growth after Train 3 and 4
- Disciplined capital prioritisation, based on this work

PNG : A WORLD CLASS GAS PROVINCE

~5bnboe discovered to date , YTF >7bnboe

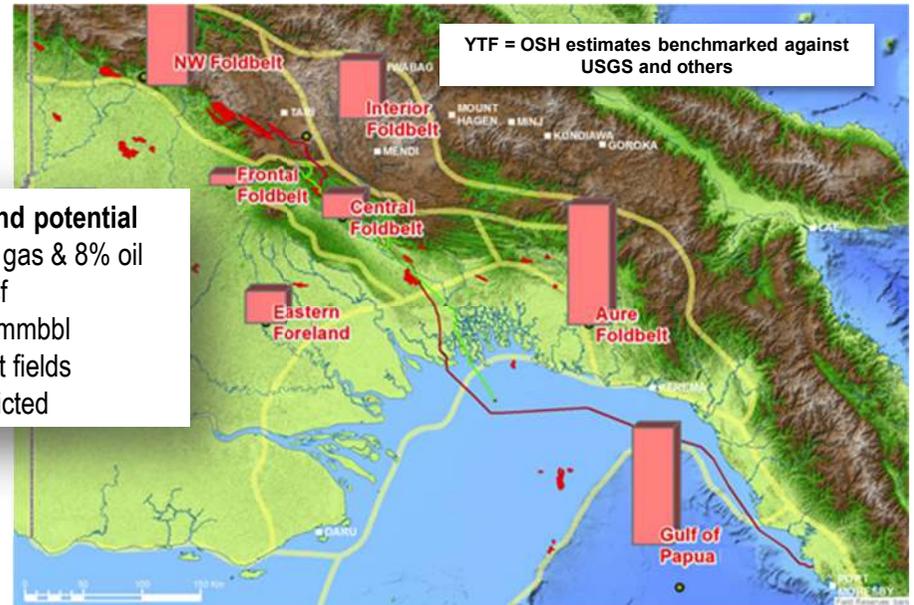


Discoveries

- 12 Developed
- 30 Undeveloped

P50 discovered resource

- 24 tcf
- 958 mmbbl



Yet-to-Find potential

- 92% gas & 8% oil
- 40 tcf
- 550 mmbbl
- Giant fields predicted

STRATEGIC RATIONALE – ALASKA ACQUISITION



ALASKA BRINGS SUSTAINED DEVELOPMENT, PREDICTABILITY AND CONTROL

◆ Driven by:

- Quality Tier 1 oil resource with significant upside in development and exploration
- Compelling entry price at right time in development and oil price cycle
- Conservative resource and development assumptions following material due diligence
- Deal structure provides significant optionality and risk mitigation. Option allows strategic partnering
- Ability to drive early commercialisation
- Enhances resource position
- Enhances shareholder returns post 2023. No change to dividend policy
- Supported by Balance Sheet strength and flexibility

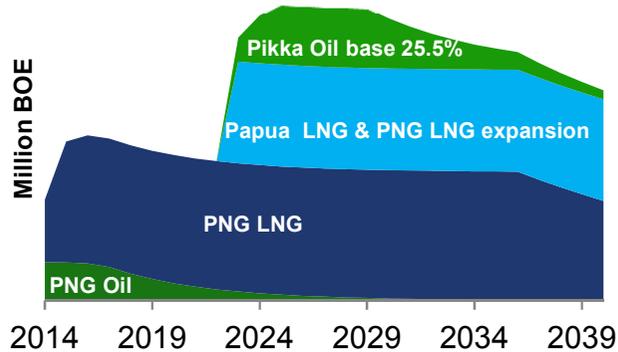


PNG AND ALASKA

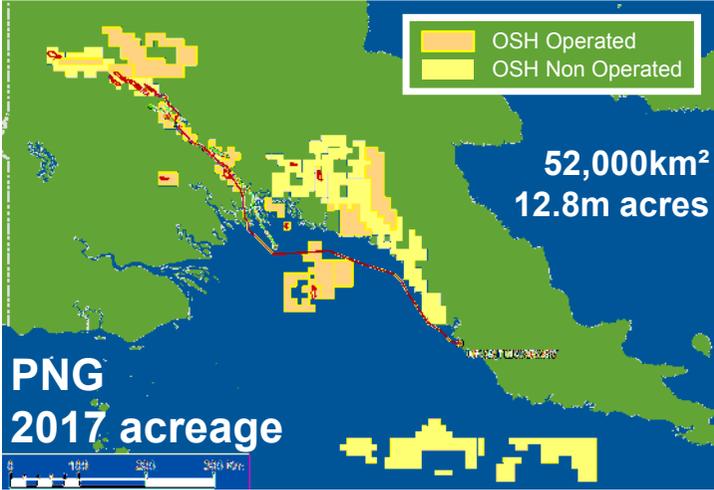
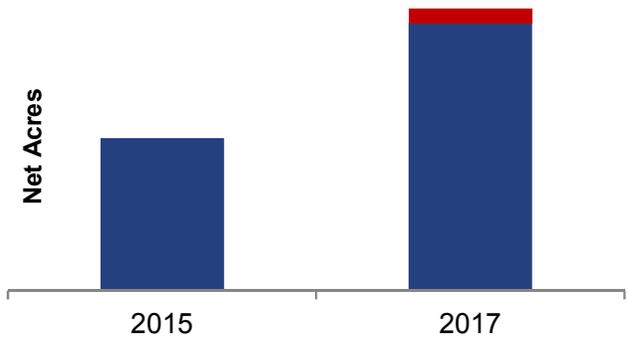
Creates a world class, focused oil and gas portfolio with material exploration upside



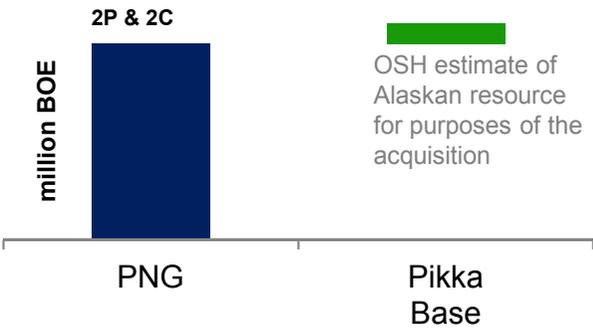
OSH Forecast Net Production



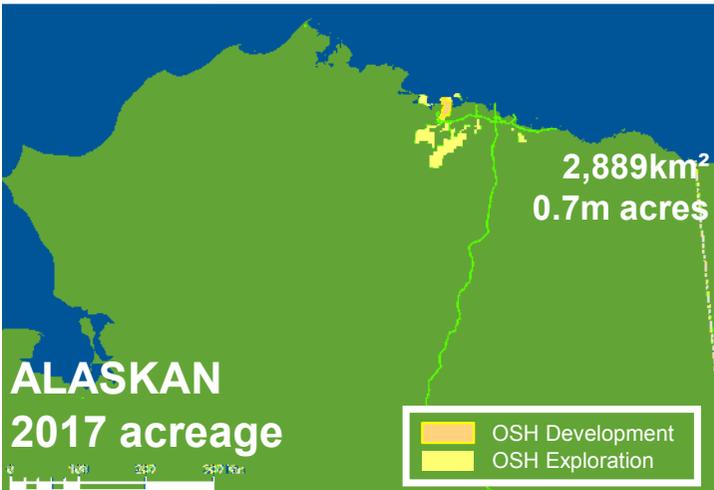
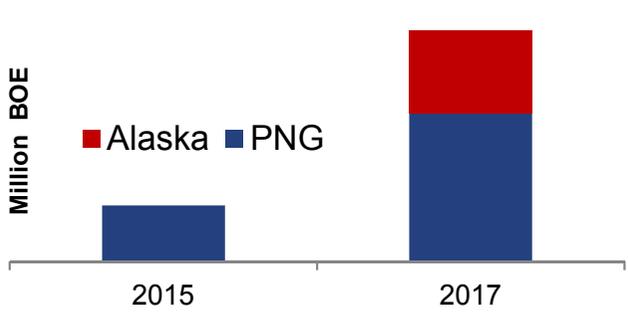
OSH Production & Exploration Acreage



OSH estimate net resources



OSH Net Prospective Resources (YTF)



* PNG LNG gas conversion using an OSH specific conversion factor 5,100 scf = 1 boe; ** Papua LNG gas conversion using 6,000 scf = 1 boe LNG production is well head gas.

ACQUISITION IS IN LINE WITH STATED STRATEGY



2014 Annual Report

A graphic for the 2014 Annual Report. It features a white hexagonal shape with a blue border, set against a background of an oil rig. Inside the hexagon, there is a blue and white geometric logo at the top. Below the logo, the text reads "PURSUE HIGH-VALUE EXPLORATION OPPORTUNITIES". Underneath this, a paragraph of text discusses the company's strategy for reserve replacement and exploration. At the bottom of the hexagon, there is a small icon of a smartphone with the word "SCAN" on it.

PURSUE HIGH-VALUE EXPLORATION OPPORTUNITIES

In light of the material increase in annual production following the PNG LNG Project start-up, reserve replacement through exploration is essential for Oil Search's long-term future. The Company's exploration activities will focus on the significant gas upside that exists in PNG, which has the potential to drive further LNG developments, and on the **disciplined pursuit of material, high-returning, international liquids opportunities.**

The large range of potentially high-returning, gas exploration opportunities in Oil Search's existing portfolio in PNG mitigates the immediate need to expand internationally. However, given PNG is primarily a gas province and there are long lead times associated with LNG development, the Company is also seeking to build, in a measured way, a high-value, oil-focused exploration portfolio of material international opportunities, where Oil Search can leverage relationships developed over a decade operating in the Middle East and North African region. The pace of international exploration will depend on the timing and priority of capital commitments in PNG, particularly given the present lower oil price environment.

2015 Annual Report

- ▶ Continue to build new ventures capabilities and relationships and evaluate long-term opportunities.

November 2016 Investor Field Trip

- » Disciplined approach to any new international exploration/appraisal, assessed against high-returning PNG growth assets

August 2017 Company Update

- ◆ Continue to build and high-grade exploration portfolio, with material exploration potential to drive further growth

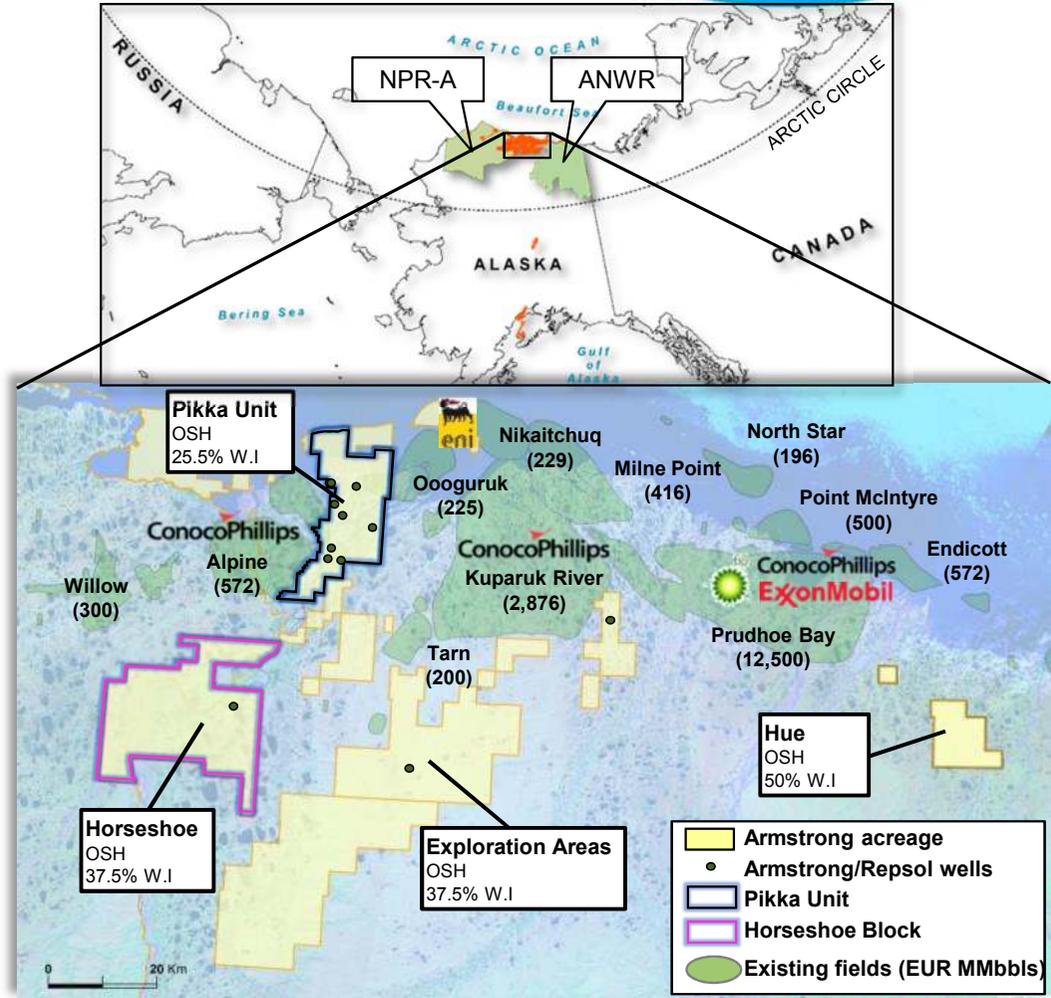
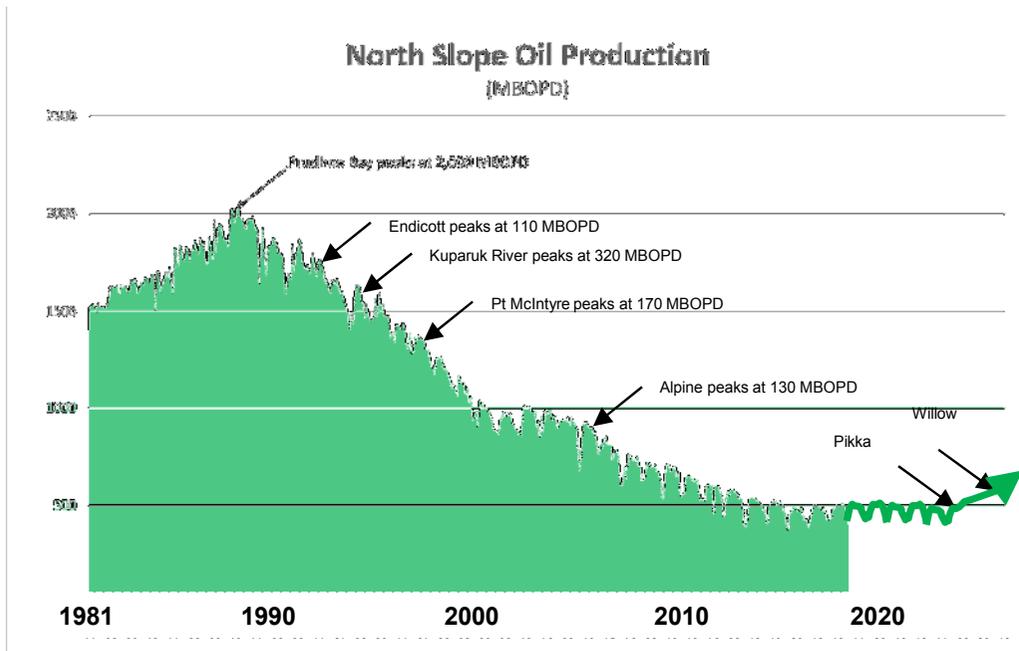
ALASKA NORTH SLOPE

AOG PERSPECTIVE

BILL ARMSTRONG – PRESIDENT, ARMSTRONG OIL AND GAS

ALASKA NORTH SLOPE

Established oil province with mega discoveries

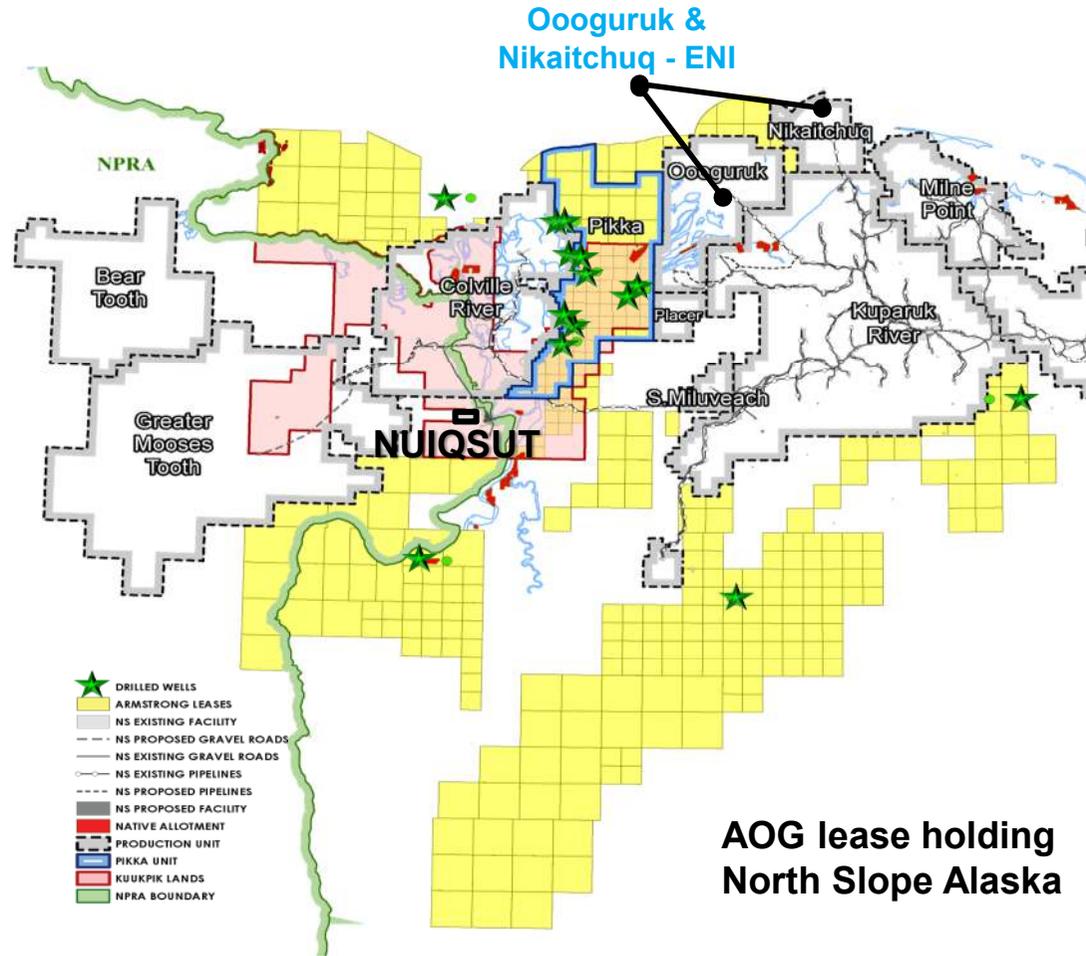


ARMSTRONG OIL AND GAS (AOG)

A history of success in Alaska



- ❖ AOG founded by Bill Armstrong in 1985
- ❖ Active in Alaska since 2001:
 - Matured Ooguruk & Nikaitchuq prospects, then on-sold to ENI (2007)
 - Developed the North Fork gas field on the Kenai Peninsula in 2007
- ❖ AOG started assembling current leases in 2009:
 - Introduced Repsol in 2011
 - 19 exploration wells (12 vertical + 7 sidetracks)
 - Acquired three 3-D seismic surveys
 - JV currently holds ~715,000 gross acres
- ❖ Oil Search enters joint venture effective January 2018:
 - AOG to remain in exploration acreage with 3 year AMI





WHY OIL SEARCH?

Combination of relationship skills, approach and openness of sharing analysis

- ◆ Strong relationship developed between OSH & AOG
- ◆ AOG considered OSH's community relations capability critical to success
- ◆ AOG recognised limitations to deliver project but wanted to stay involved
- ◆ Oil price downturn mid year and majors "slowness" created uncertainty



ALASKA NORTH SLOPE ACQUISITION METRICS

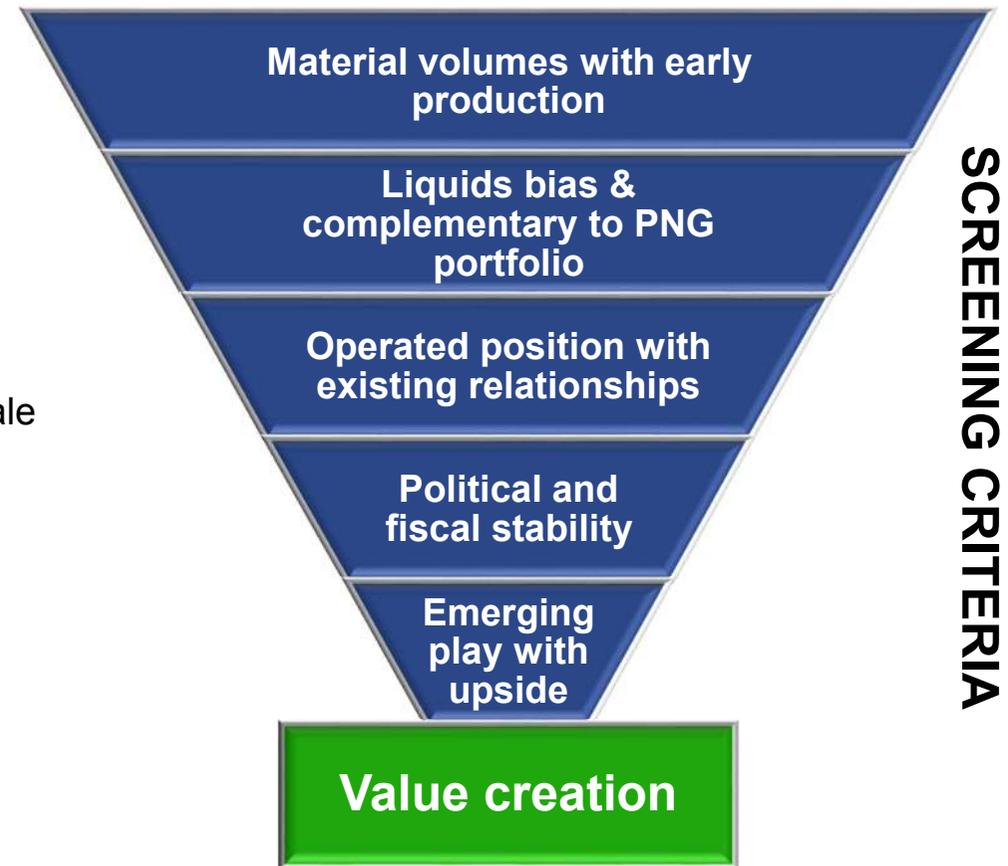
KEIRAN WULFF – EGM, EXPLORATION AND NEW VENTURES

HOW DID WE IDENTIFY ALASKA?



HOW DID WE IDENTIFY THE OPPORTUNITY?

- ◆ Screening of international opportunities against PNG portfolio:
 - >150 opportunities screened since 2012, provides excellent benchmarks for comparisons
- ◆ Oil Search introduced to AOG’s Alaska assets in early 2017:
 - Contacted AOG, established that all or part of its interests for sale
 - AOG running a “soft” process with majors & considering IPO
- ◆ Significant due diligence, working in cooperation with AOG:
 - Bottom up approach & independent experts involved
 - Full reservoir modelling, risk analysis and economic screening



ACQUISITION OVERVIEW

1. Acquisition of half of AOG's working interests in all North Slope blocks for US\$400m

Pikka Unit

Low risk Nanushuk development with material appraisal upside (OSH acquisition value based on Phase 1 Pikka only)

- Base development OSH acquisition case 500 mmbbls⁽¹⁾
- Armstrong 2C case >820mmbbls⁽²⁾.
- Appraisal drilling 2018/19 to target 2C case prior to FID

Horseshoe Block

Nanushuk development extends into Horseshoe (2017)

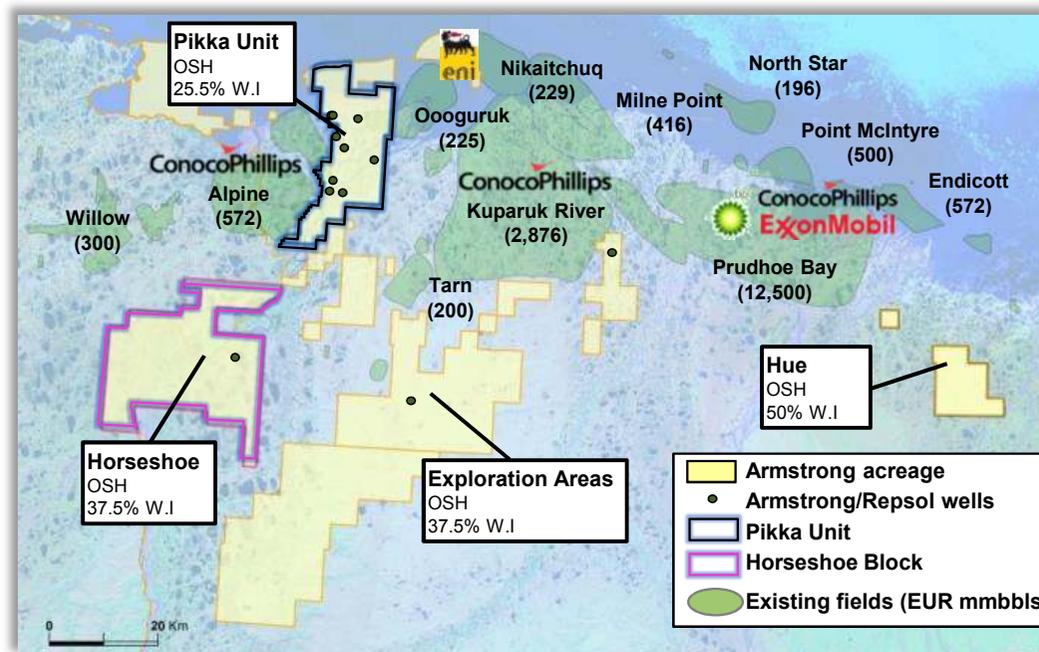
- Combined Nanushuk EUR across Pikka and Horseshoe up to 1.2 bn bbls⁽³⁾.
- Material exploration upside to be tested during appraisal

Exploration Areas + Hue Block

Multiple proven and emerging fairways with unrisks prospective resource of 1.4 bn bbls⁽⁴⁾.

2. Option to acquire remaining AOG interests in all blocks for US\$450m, to double current working interest. Option expiry June 2019. Ability to transfer or on-sell option

3. OSH to take over operatorship (originally June 18, now early 2018)



(1) OSH estimate of gross resource for purposes of the acquisition; (2) AOG estimate 2017 (3) Repsol March 2017 (4) OSH estimate for acquisition purposes

SUMMARY OF INTERESTS ACQUIRED



Phase	Lease Category	 Oil Search	 ARMSTRONG	 GMT Exploration	 REPSOL
Pre-transaction	Pikka Unit	-	38.25 %	12.75 %	49 %
	Horseshoe	-	56.25 %	18.75 %	25 %
	Exploration	-	56.25 %	18.75 %	25 %
	Hue Shale	-	100 %	-	-
Current transaction	Pikka Unit	25.5 %	19.125 %	6.375 %	49 %
	Horseshoe	37.5 %	28.125 %	9.375 %	25 %
	Exploration	25.5 %	37.125 %	12.375 %	25 %
	Hue Shale	37.5 %	62.5 %	-	-
Post OSH's option to acquire balance if exercised ⁽¹⁾	Pikka Unit	51 %	-	-	49 %
	Horseshoe	75 %	-	-	25 %
	Exploration	51 %	18 %	6 %	25 %
	Hue Shale	75 %	25 %	-	-

(1) OSH able to transfer or on-sell additional interests

KEY ACQUISITION METRICS

Highly attractive and competitive entry price



POTENTIAL DISCOVERED RESOURCES

- ◆ Acquisition cost to OSH of ~US\$3.1/bbl based on OSH's estimate of discovered resource or ~US\$1.3/bbl based on Repsol's estimate⁽¹⁾
 - Gross OSH acquisition estimate 500 mmbbls (discovered resource)
 - Repsol believes there could be up to 1.2 bnbbbls resource⁽¹⁾

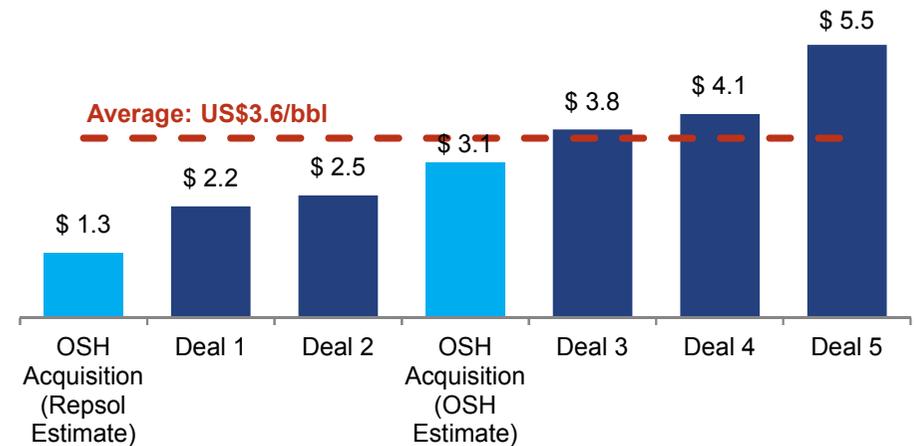
FLEXIBILITY TO ACQUIRE REMAINING INTEREST

- ◆ Option allows OSH to acquire all of Armstrong and GMT's remaining interests and on-sell if there is the potential to add further value
- ◆ Able to make the decision based on updated views of resources and development plan
- ◆ Disciplined approach to maximise shareholder value

(1) Repsol press release of 9 March 2017

(2) Comparable list of recent global oil transactions involving pre-development assets since 2015

PRECEDENT TRANSACTION MULTIPLES (US\$/BBL)⁽²⁾



- ✓ Near to market and low breakeven cost on a standalone basis (mid US\$30s/bbl) acquired at an attractive point in the oil price cycle.
- ✓ Compares favourably to other pre-development global transactions averaging US\$3.6/bbl of resource
- ✓ Potential to be lowest cost acquisition in current cycle, based on Repsol's and operator's ultimate resource estimate

ALASKA COMPLEMENTS PNG PORTFOLIO

Oil, quicker to market, rapid appraisal and control



Papua New Guinea (Papuan Basin)

- ❖ 5 billion boe discovered¹
- ❖ 7 billion boe²
- ❖ Hides Gas Field 1987 (1 billion boe¹)
- ❖ 89% discovered volume is gas
- ❖ Fold Belt & Foreland Basin
- ❖ Activities largely restricted to dry season
- ❖ Remote with seasonal influences
- ❖ Expensive remote logistics
- ❖ Highlands exploration well costs >US\$120m/well
- ❖ 2D seismic > US\$200,000/km
- ❖ Moderate development lead time for gas,
- ❖ New discoveries require new infrastructure

- Proven Reserve
- Yet-to-find
- Largest Field
- Phase
- Geological Setting
- Operating Environment
- Cost Environment
- Development options

Alaska (North Slope)

- ❖ 37 billion boe discovered¹
- ❖ 60 billion boe²
- ❖ Prudhoe Bay Field 1968 (19 billion boe¹)
- ❖ 78% discovered volume is oil
- ❖ Fold Belt & Foreland Basin
- ❖ Operations are restricted to the winter season
- ❖ Development all year round
- ❖ Close proximity to infrastructure
- ❖ Onshore exploration drilling <US\$30m/well
- ❖ 2D & 3D seismic available
- ❖ Ullage available via open access pipeline
- ❖ Only in-field infrastructure required for export

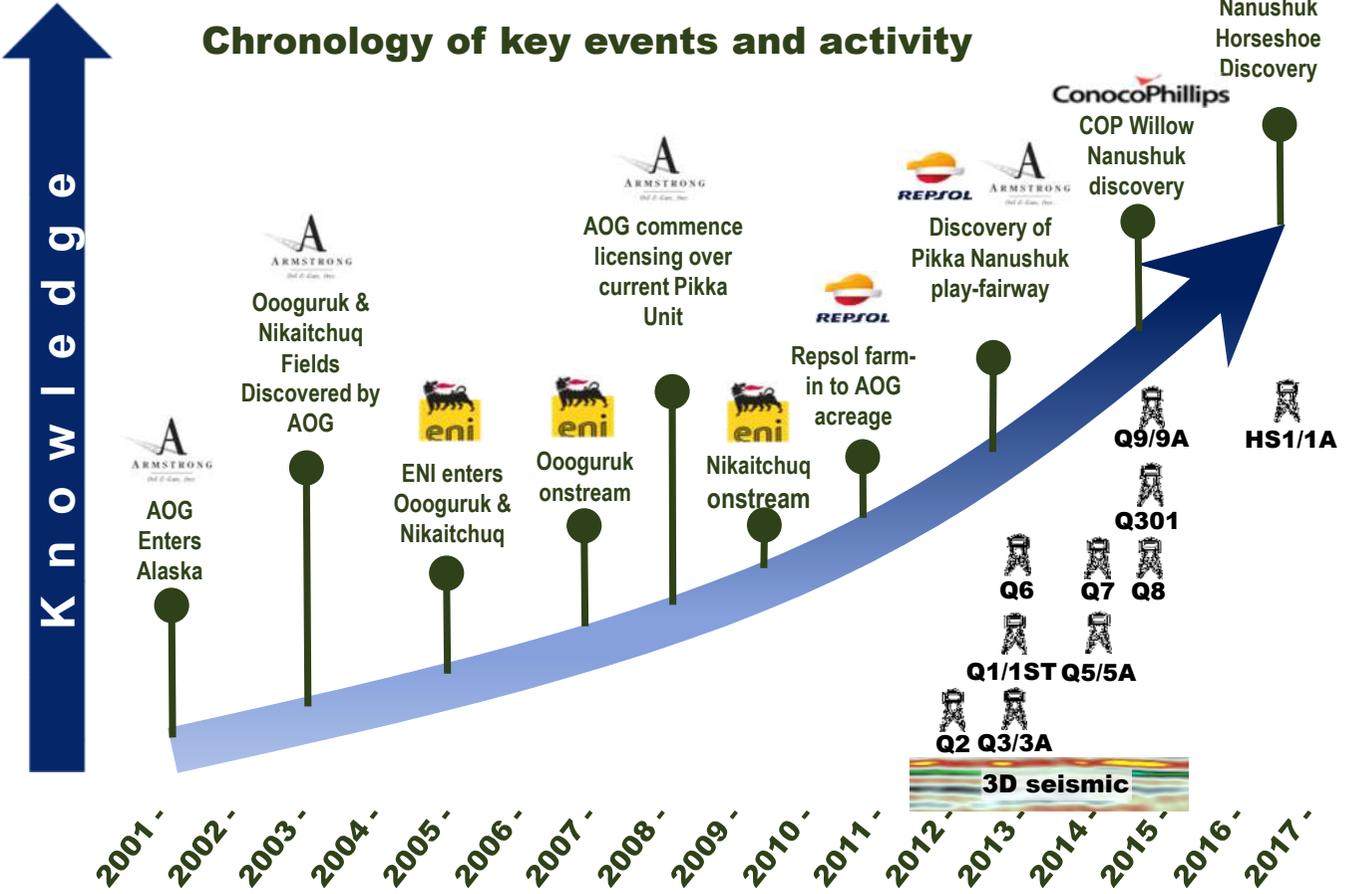
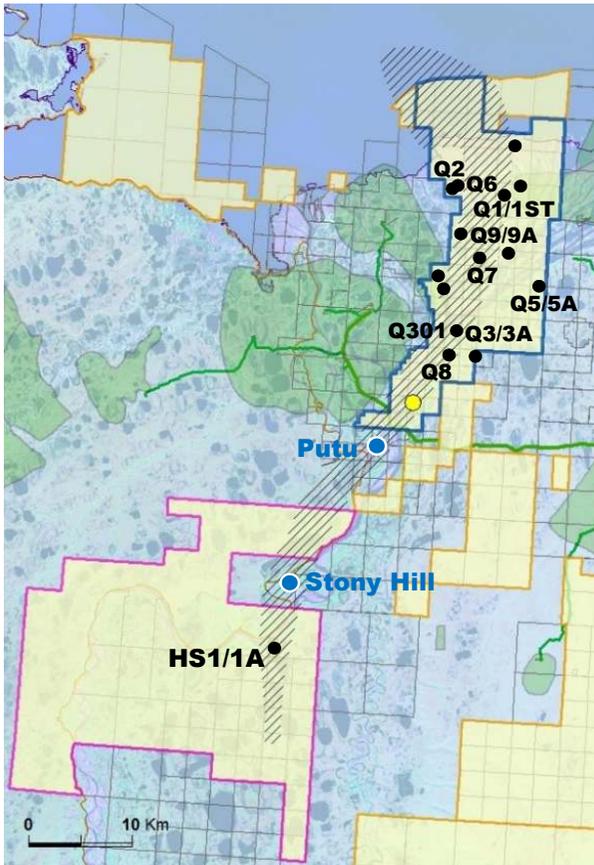
(1) Source IHSMarkit 2017
 (2) Source USGS 2010/11

ALASKA NORTH SLOPE ASSET SUMMARY

KEIRAN WULFF – EGM, EXPLORATION AND NEW VENTURES

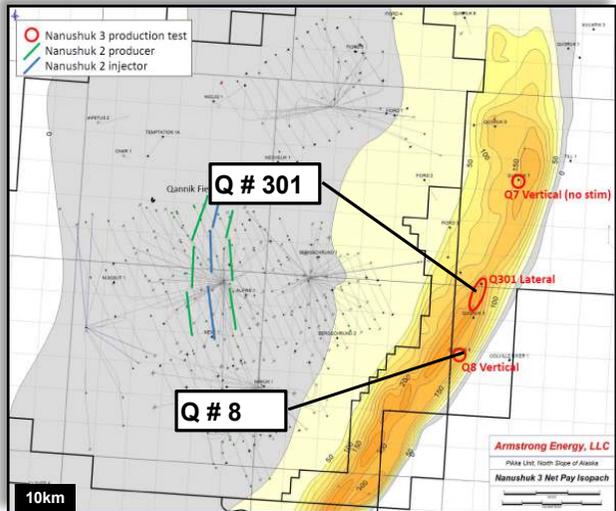
CHRONOLOGY – AOG A CATALYST FOR ACTIVITY

3D seismic combined with active exploration by Armstrong & Repsol drove delineation of Nanushuk reservoir

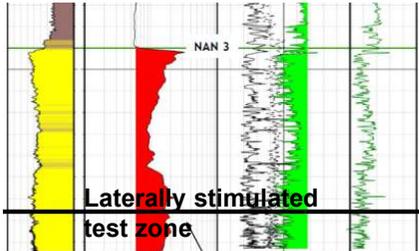


NANUSHUK FORMATION – TWO WELL TESTS

Proven reservoir with sweet light oil

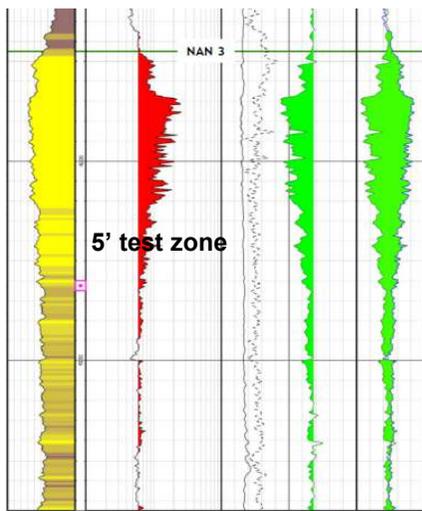


Quguruk # 301 Production Test



- ◆ 2,000' lateral
- ◆ 6-stage fracture treatment
- ◆ Peak rate = 4,600 bopd 30° API
- ◆ Average permeability ~22mD

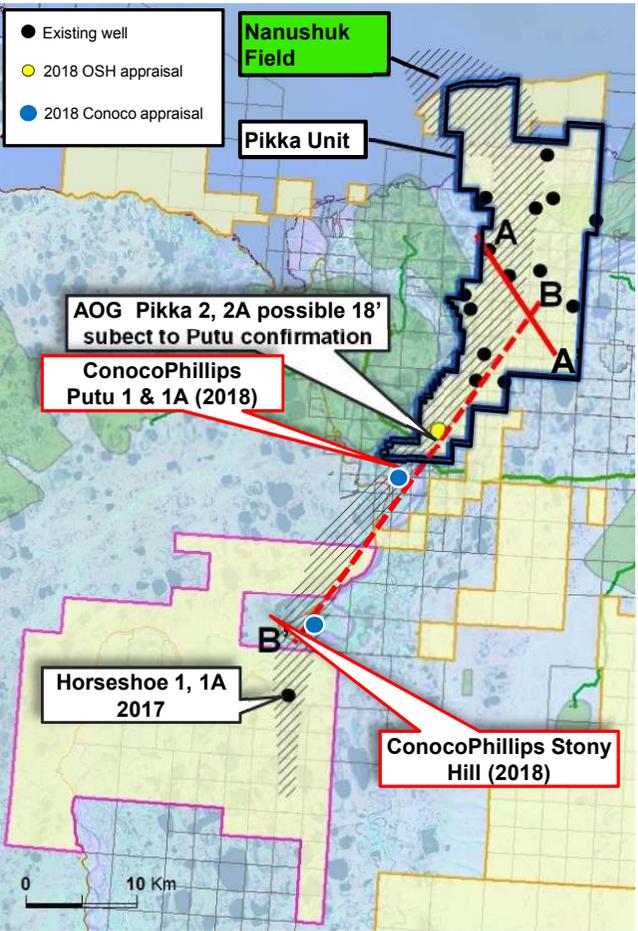
Qugurk # 8 Production Test



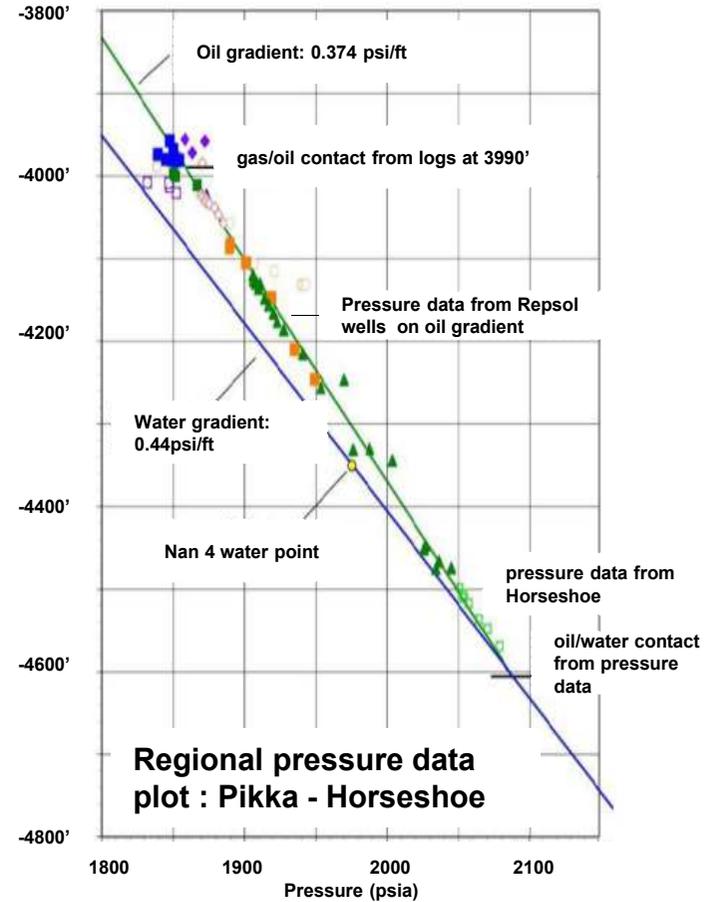
- ◆ Vertical well; tested a 5' interval
- ◆ Single stage fracture treatment
- ◆ Peak rate = 2,160 bopd 30° API
- ◆ Average permeability ~43mD

NANUSHUK EXTENDS 70 KILOMETRES

Confirmed by 2017 Horseshoe well, COP drilling in 2018

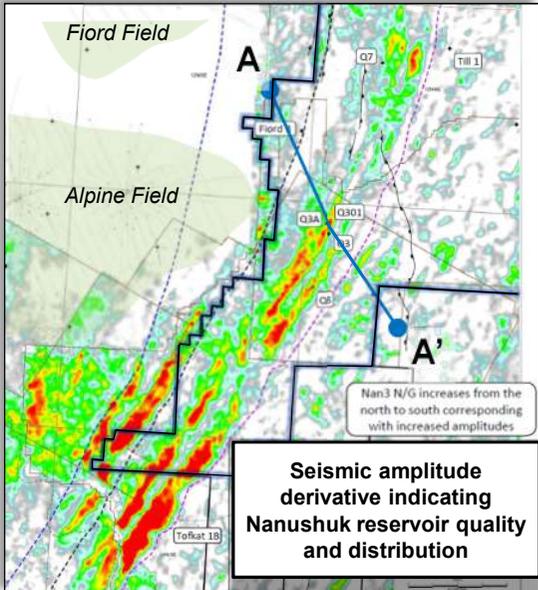
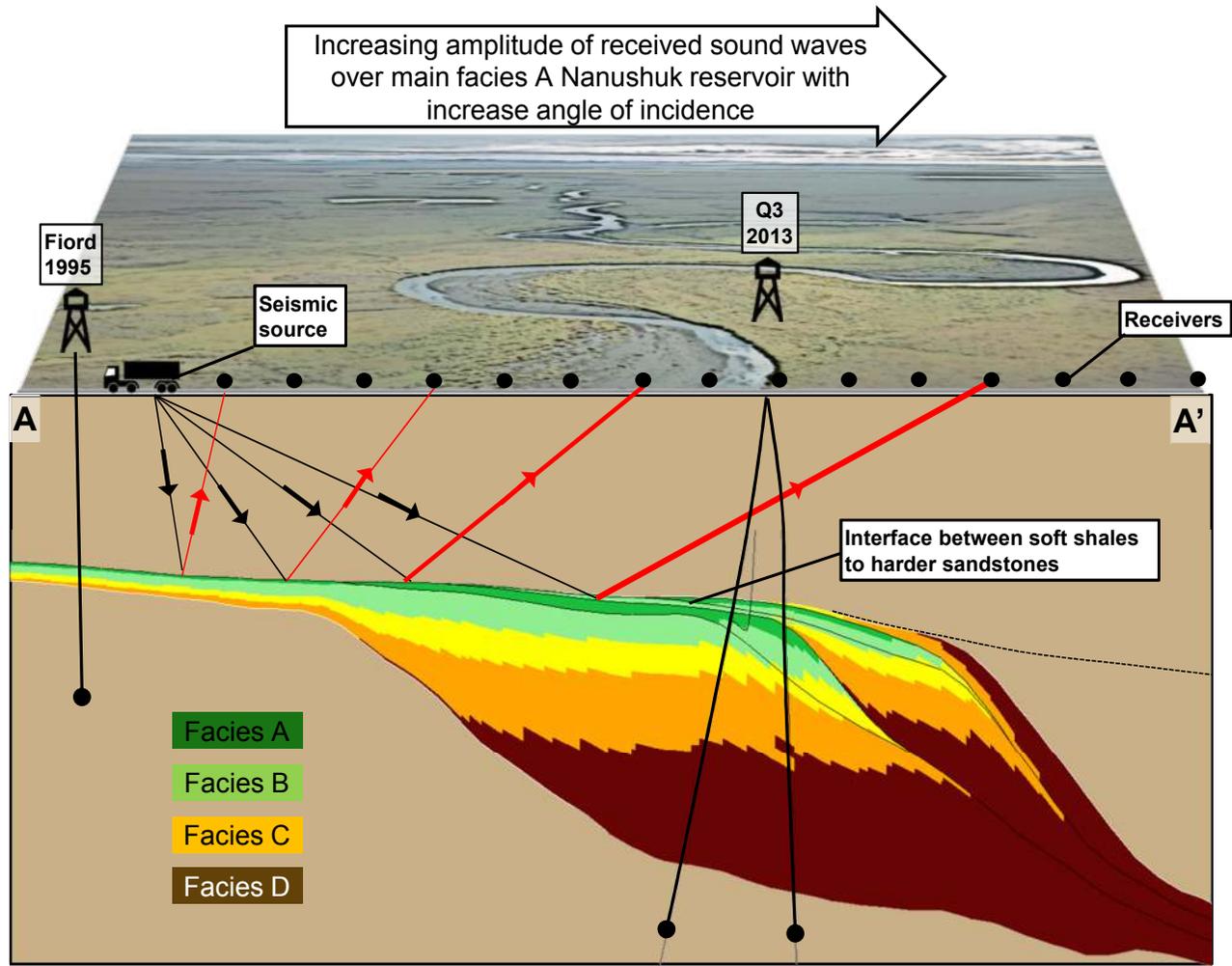


- ◆ 12 wells and 7 sidetracks drilled to date in Pikka / Horseshoe area
- ◆ 3D seismic indicated Nanushuk field continued 45 km to the south:
 - 2017 Horseshoe 1 & 1A wells drilled by AOG proved extension of field
 - Oil in similar reservoir on same oil gradient
- ◆ Appraisal wells planned for 1Q & 2Q18 on trend by Conoco:
 - Putu & Stony Hill wells infilling 45 km space between Horseshoe 1 & Q8
 - Putu well pre-traded for Horseshoe well drilled by AOG in 2017
- ◆ Major appraisal programme planned 2018/19 ahead of FID
 - 5+ wells and testing ahead of FID



NANUSHUK RESERVOIR IDENTIFICATION

How was it missed? 3D seismic delineates key zones



- ◆ High quality 3D seismic now over entire fairway
- ◆ Advanced seismic processing has allowed 3D mapping of targets reservoirs and delineated new plays
- ◆ Well calibration negating need for extensive additional drilling
- ◆ Reduces risk and uncertainty in appraisal and development

PIKKA NANUSHUK DISCOVERY

Significance only beginning to be understood (2013 – 2017)

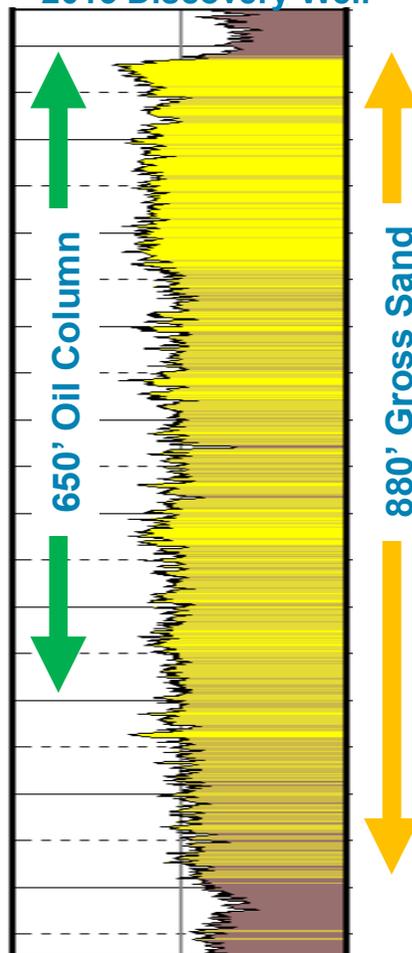
Qannik Field Nanushuk 2006
Satellite overlying the Alpine Field



2010 USGS Resource Assessment for the
NPRA of the Brookian Topset Play
(Nanushuk)

2010 estimated recoverable oil =
117mmbbl

Pikka Nanushuk
2013 Discovery Well



Pikka (2013) - Horseshoe (2017) Nanushuk Discovery

- ❖ Major oil discovery with significant upside
 - ❖ 500 - 1.2* billion barrels of recoverable light oil
 - ❖ 80,000 - 120,000 bopd* potential
- (* Repsol March 9, 2017 Press Release)

Willow Nanushuk Discovery 2017

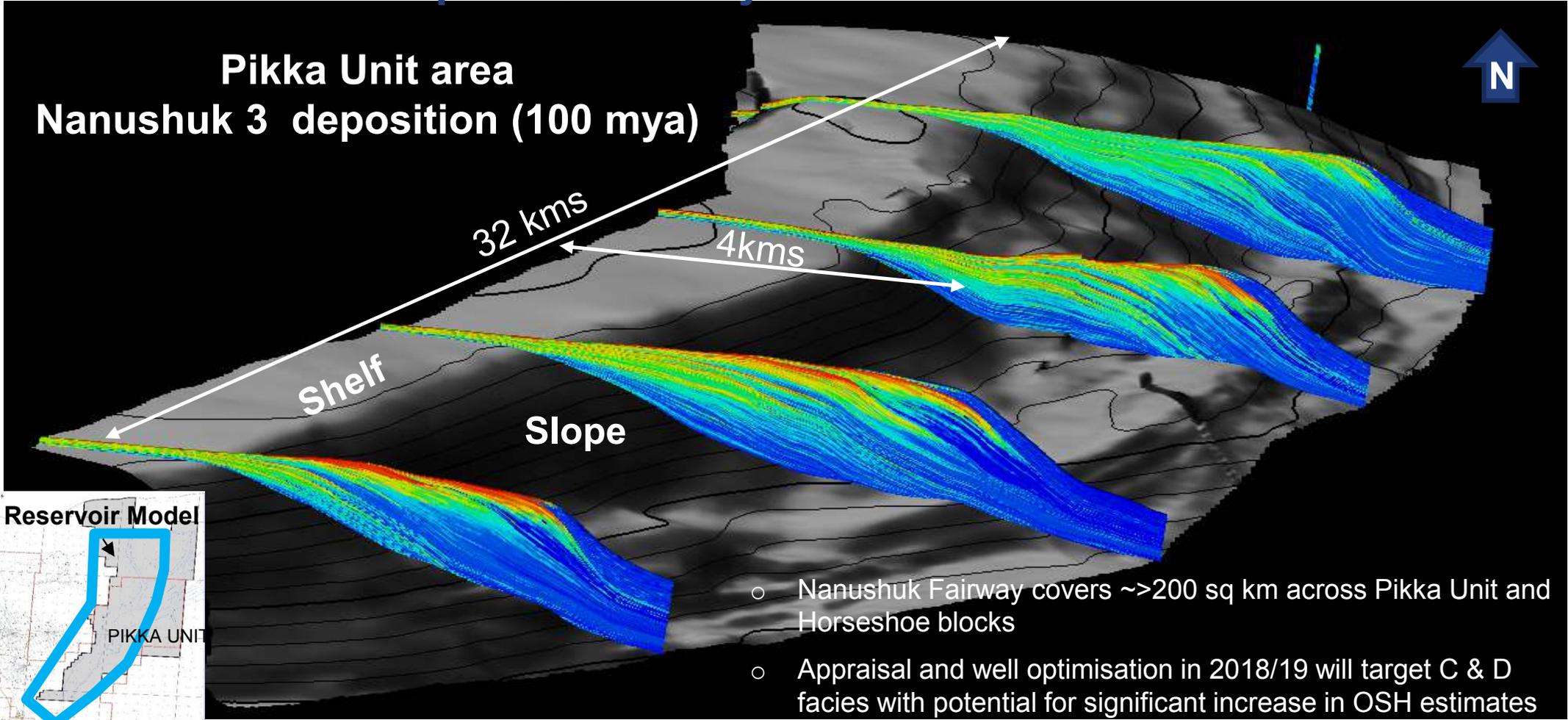
- ❖ Recoverable resource > 300 mmbbl**
 - ❖ 100,000 bopd potential
- (** ConocoPhillips Jan 13, 2017 Press Release)

Conoco appraising Pikka - Horseshoe trend 2018

- ❖ Putu well planned only 3 miles from Pikka location

DETAILED SEQUENCE STRATIGRAPHY AND INTEGRATED RESERVOIR MODEL

Excellent data set underpins reserve analysis

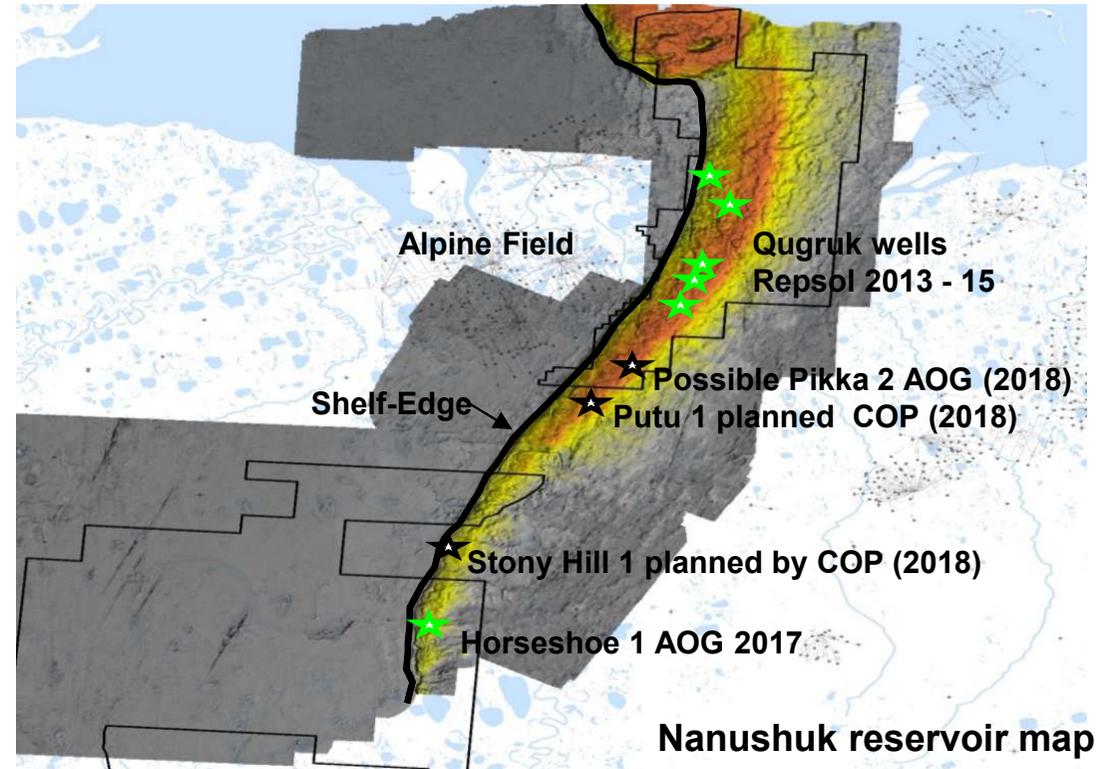
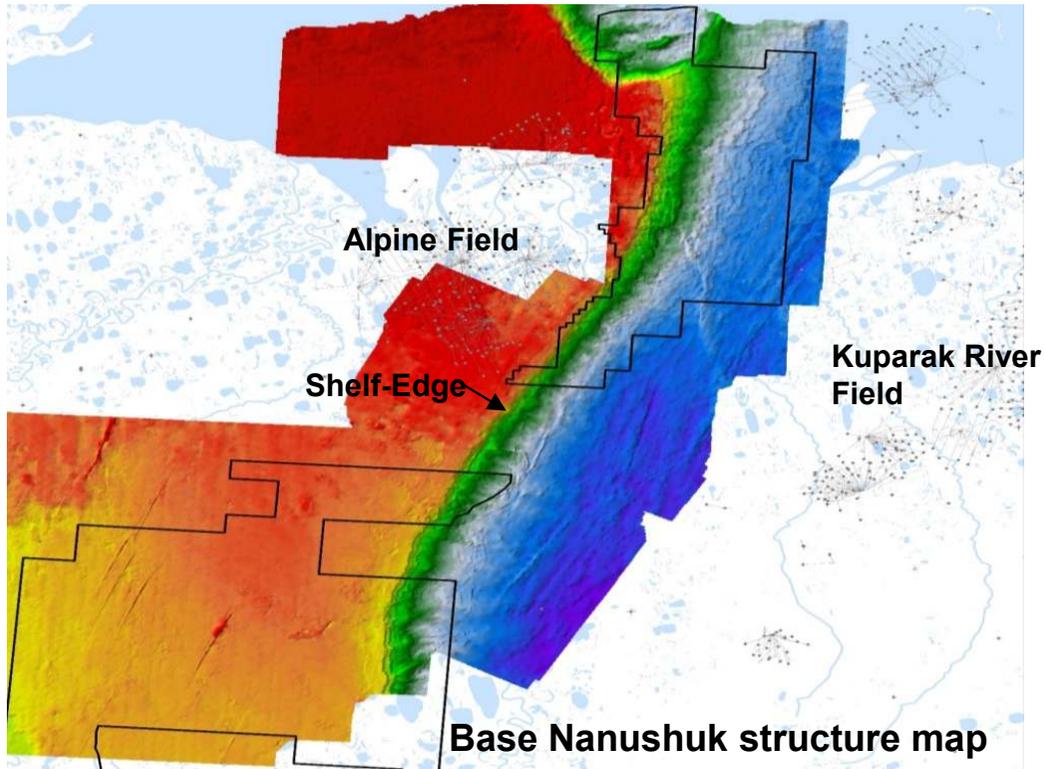


NANUSHUK FIELD PROGRADING SHELF MARGIN

Field will be well constrained by drilling and 3D seismic

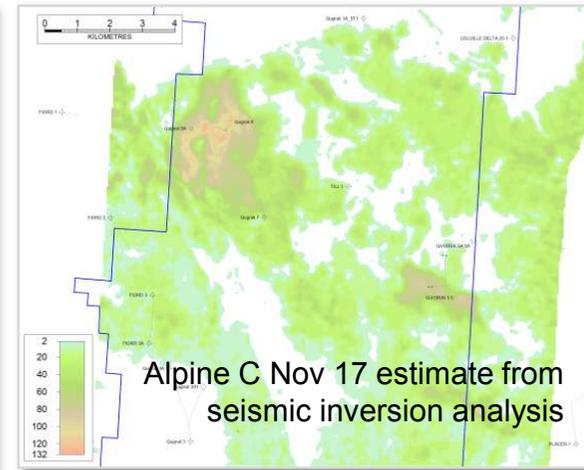
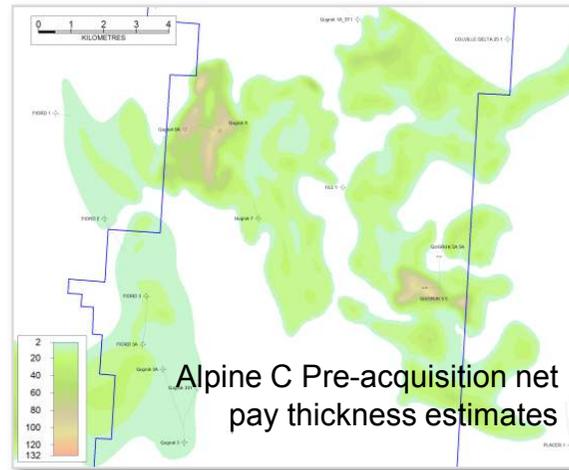
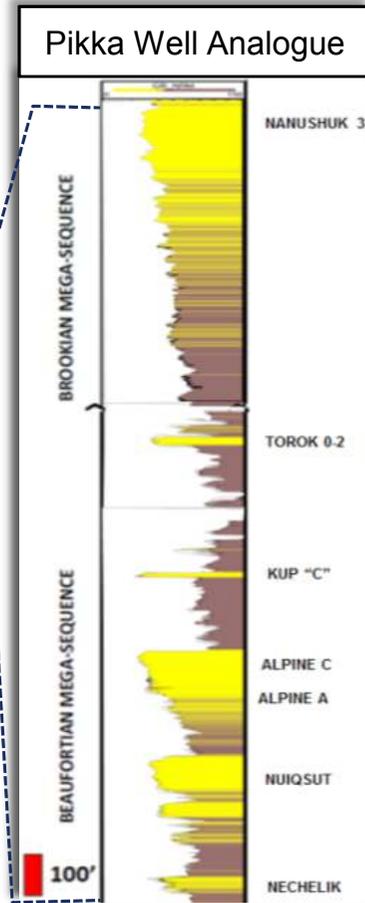
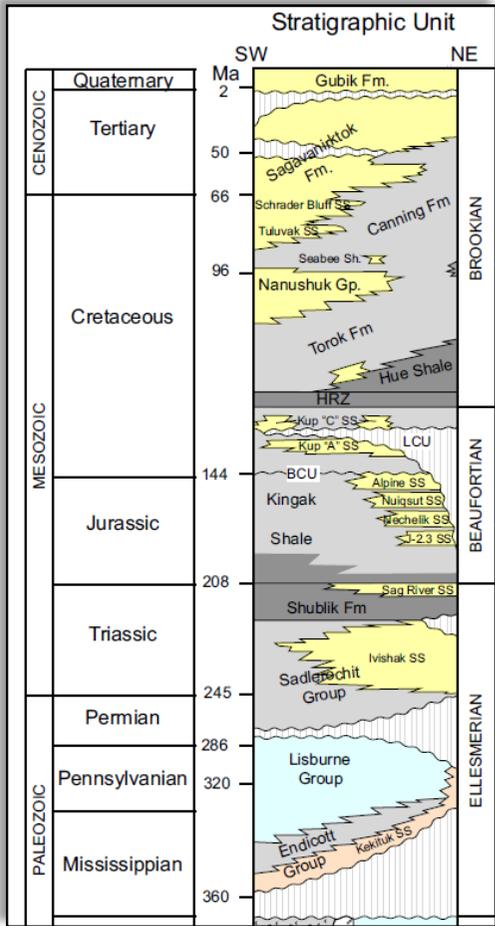


- ◆ ConocoPhillips (COP) 2017/18 wells (Putu & Stony Hill) testing field extent on COP leases
- ◆ AOG pre-traded Horseshoe 1 well for Putu 1 2018/19 programme focused on testing flow rates and interference (connectivity)



IT'S NOT ONLY IN THE NANUSHUK

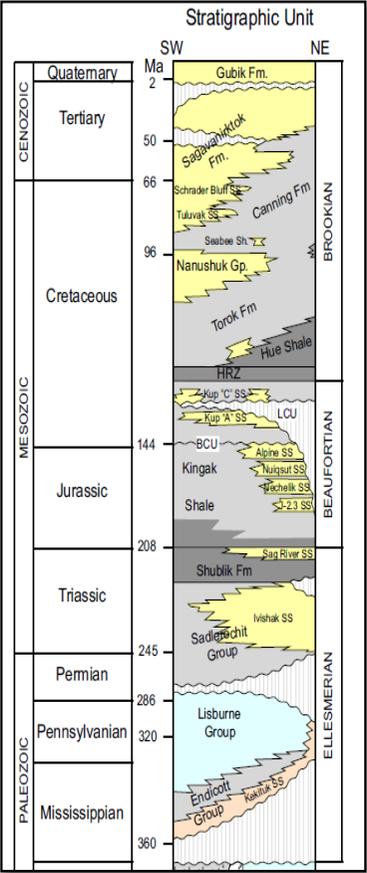
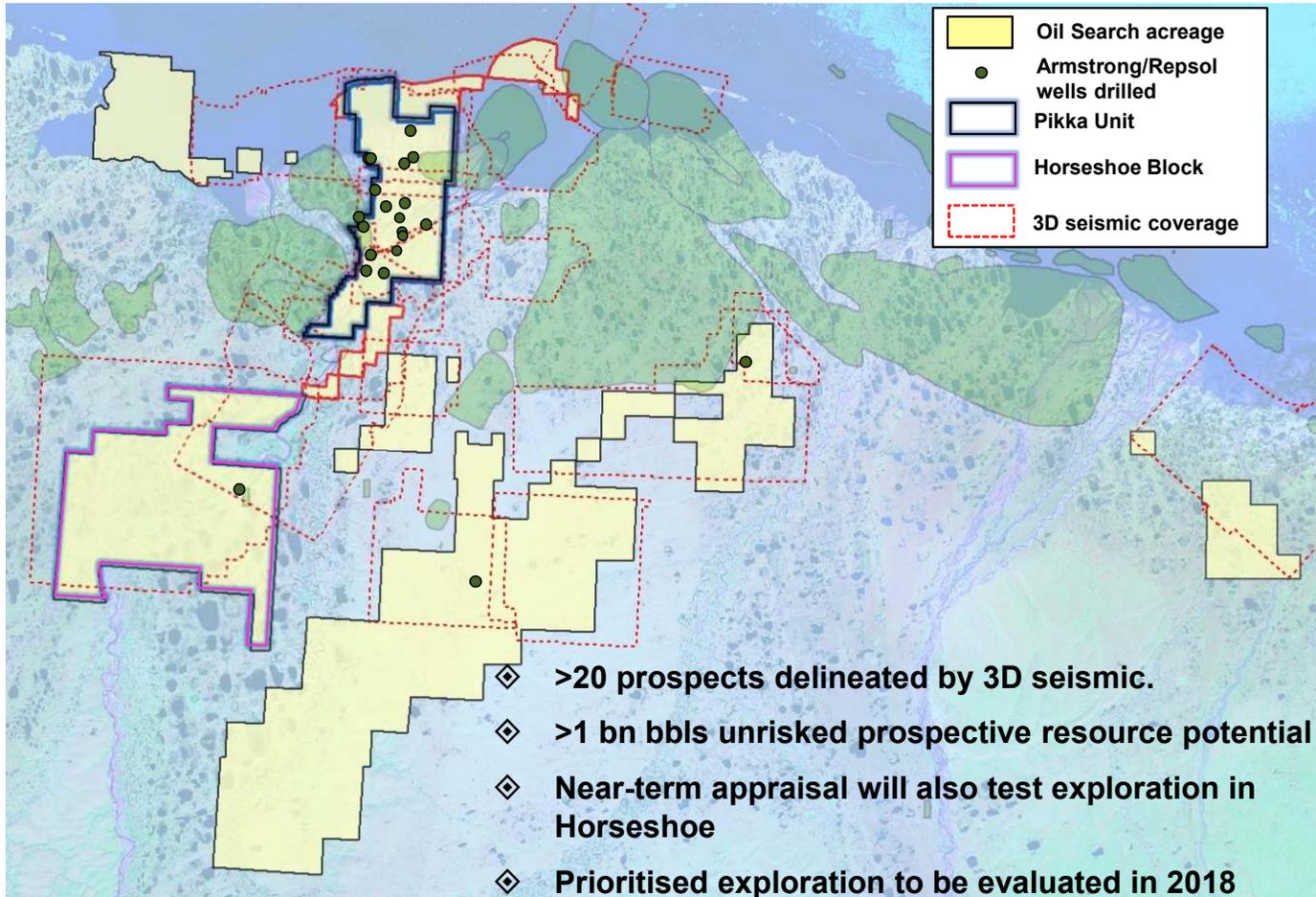
Alpine and other proven oil accumulations – Pikka “Satellites” -being defined by 3D seismic & tied to well results



- ◆ Multiple proven reservoirs with oil recoveries
- ◆ Alpine C included in resource estimates – major increase in pay distribution estimates from recent seismic inversion
- ◆ Alpine C & Kup C reservoirs can be drilled from proposed Nanushuk well pads
- ◆ 3D seismic and detailed processing key to unlocking further opportunities

OVER 1 BILLION BBLs EXPLORATION UPSIDE

Targets mapped on 3D seismic covering area



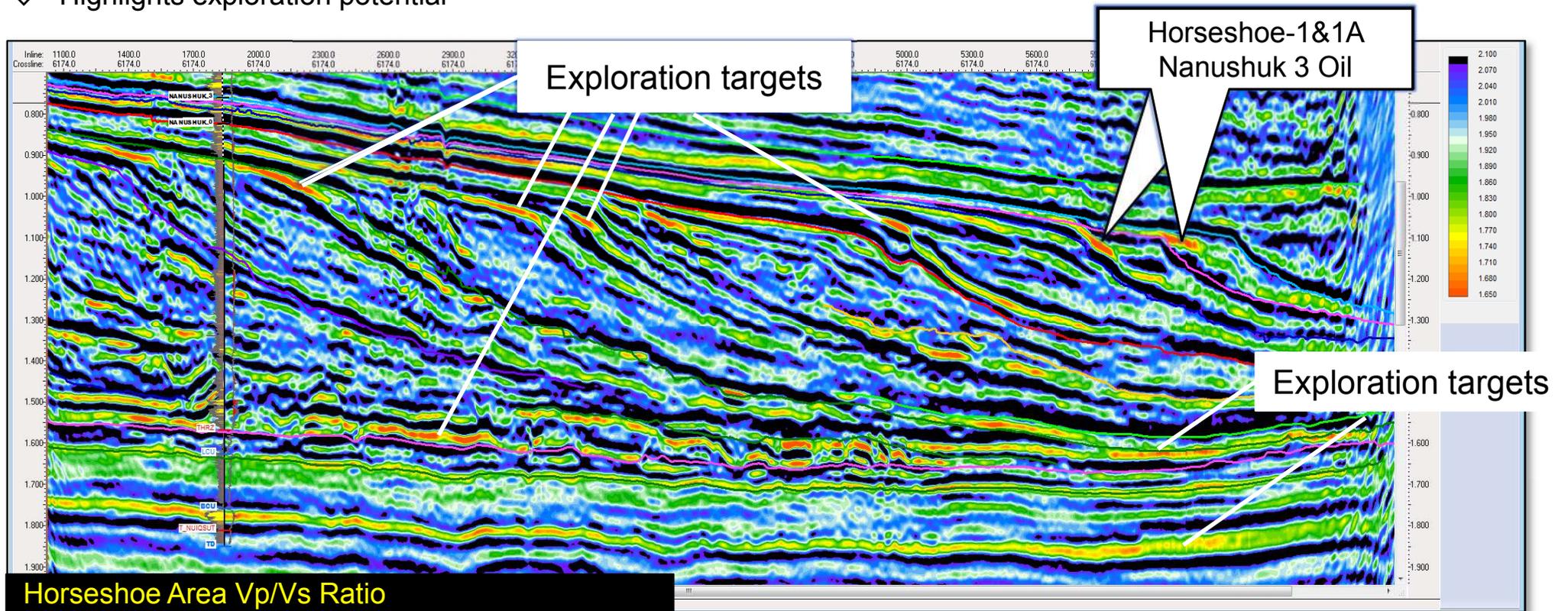
- FIELDS**
- Tarn, Meltwater
 - Pikka
 - Kuparuk River, Milne Pt, Point McIntyre, Alpine, Fjord, Kalubik
 - Nikaitchuq, Sag River
 - Prudhoe Bay, N Prudhoe, Northstar, Sag Delta North
 - Lisburne
 - Endicott, Term Island, Liberty

APPLYING NEW TECHNOLOGY

Defining resource size, exploration upside & new plays

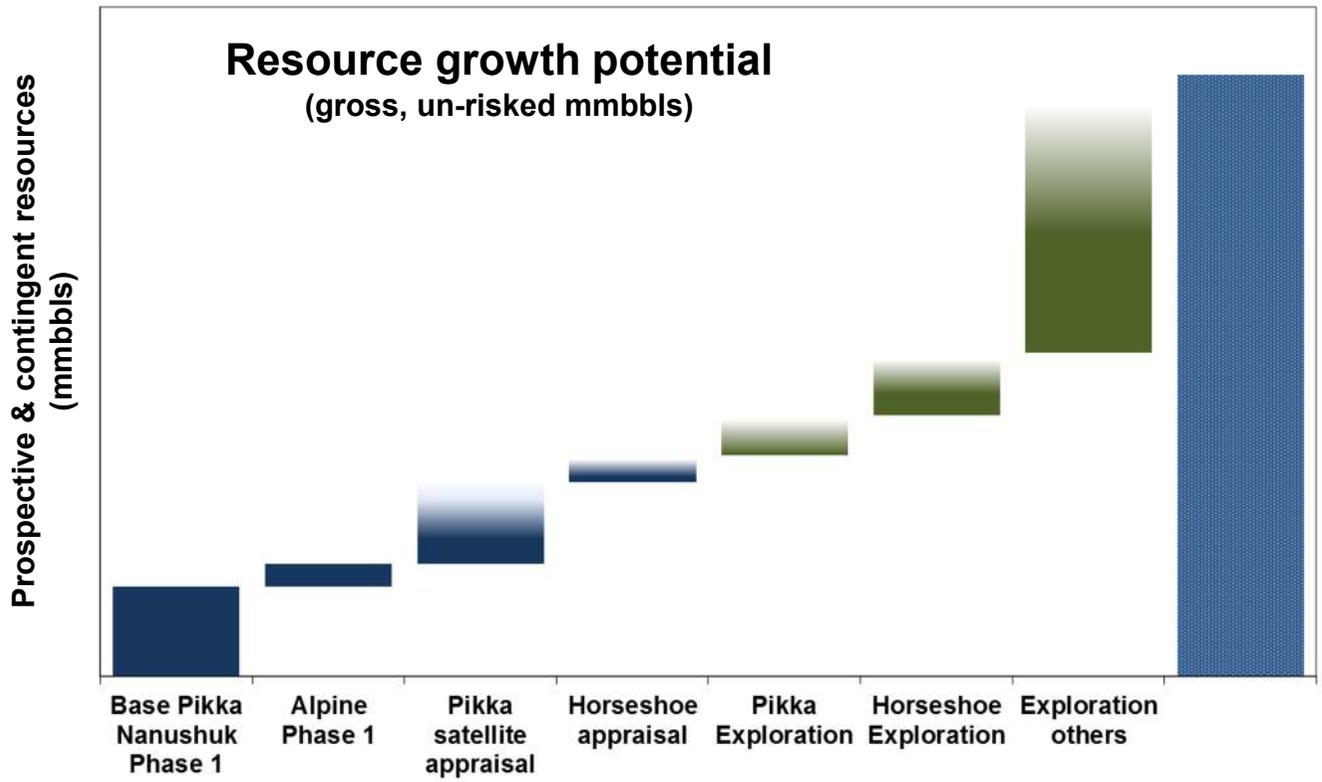


- ◆ Latest technology being applied to 3D seismic to highlight location of oil and best reservoir
- ◆ Delineates existing discoveries
- ◆ Highlights exploration potential



RESOURCE GROWTH POTENTIAL

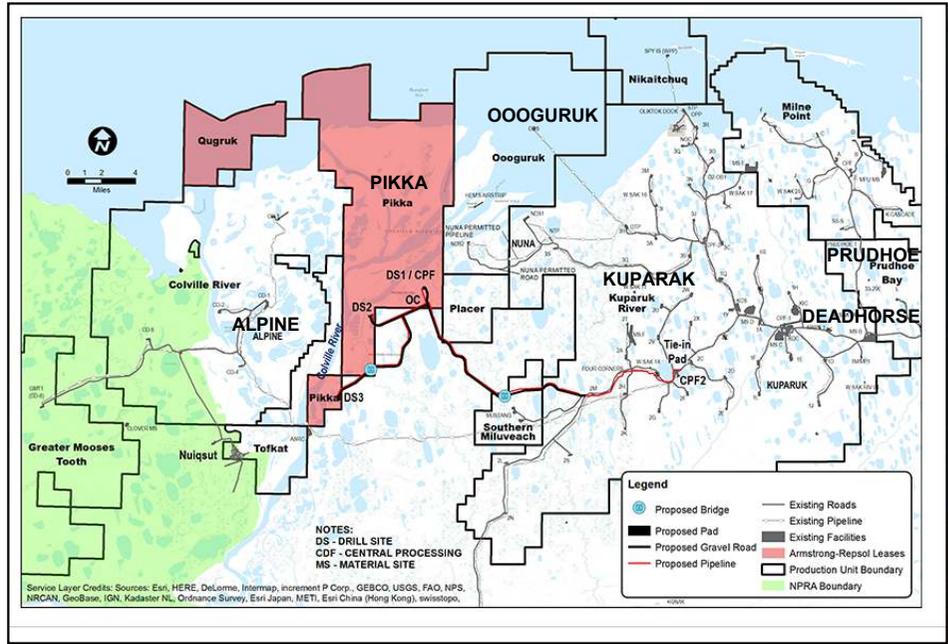
Major oil field adjacent to infrastructure with potential to grow materially through targeted appraisal and exploration



- ◆ Oil Search acquisition volume assumed conservative base assumptions for reservoir and production characteristics
- ◆ 2018/19 appraisal activities to target increasing the base contingent resource for Phase 1 Pikka development
- ◆ Acreage footprint offers multiple exploration options
- ◆ Opportunity for collaboration and optimisation of field development with adjacent operators (not included in OSH's valuation)

ACCESS TO EXISTING INFRASTRUCTURE

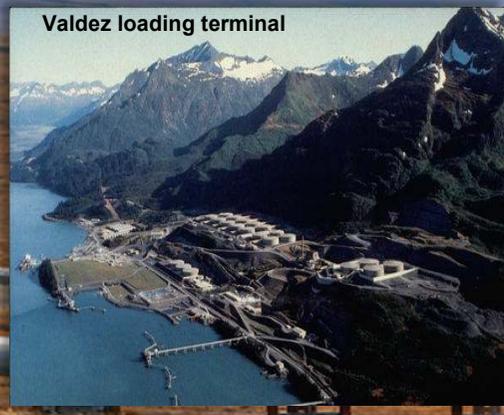
Extensive existing infrastructure with ullage and very supportive and stable State government



TAPS open access pipeline



Deadhorse supply base



Valdez loading terminal

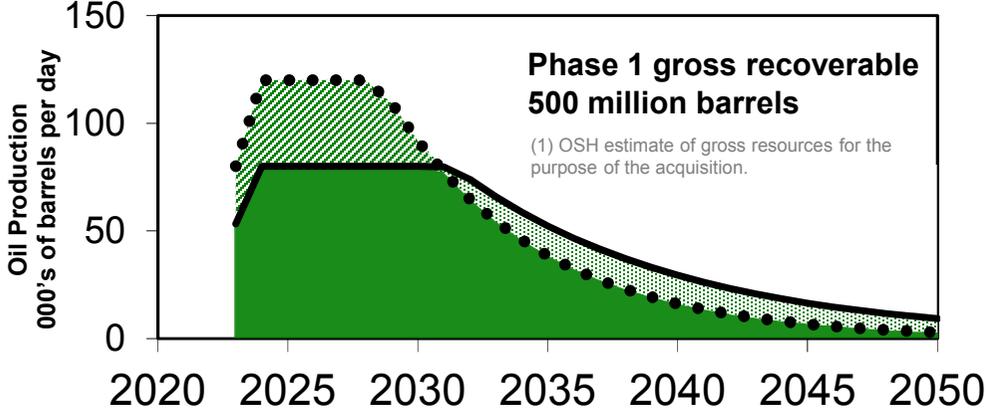
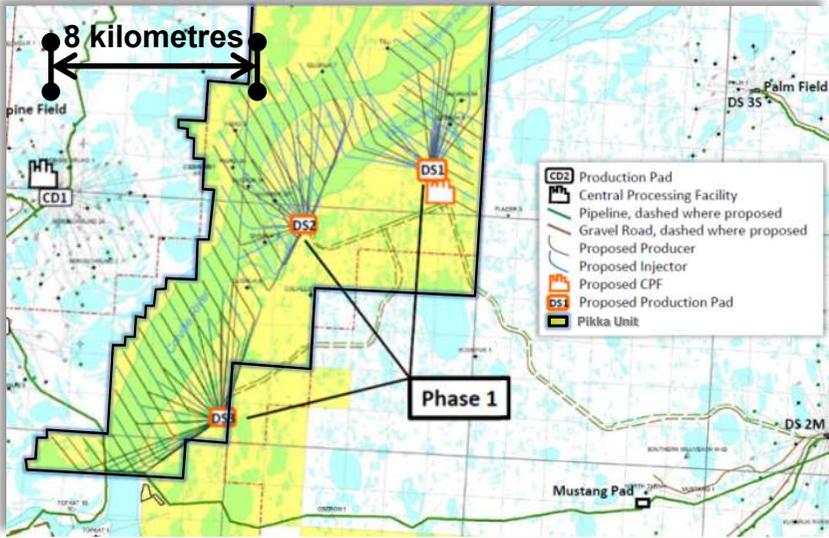
- Major supply base in Deadhorse
- TAPS has capacity of 2.1mmbopd, current throughput of ~500,000 bopd
- Opportunity to work with existing infrastructure owners to minimise development costs and environmental footprint

DEVELOPMENT PLAN – ACQUISITION CASE

Phase 1 focused solely on the Pikka unit



- ◆ OSH acquisition case:
 - Utilised AOG/Repsol development plan
 - ~400 mmbbl Nanushuk & ~100 mmbbl Alpine C and other satellites
 - 80,000-120,000 barrels of oil per day by mid 2024
- ◆ AOG / Repsol development plan submitted for the EIS in 2016:
 - Phase 1 - single CPF with three drill pads (DS1, 2 & 3)
 - >750 mmbbl recoverable
 - 120 – 140,000 bopd 2022+
- ◆ Phase 1 development considers Nanushuk, Alpine C, Alpine A:
 - 65 oil producer/water injector pairs
- ◆ Significant optimisation opportunities:
 - Cooperation with adjacent operators may optimise infrastructure
 - Alpine field uses EOR to achieve recovery factors >50%
 - Studies with Halliburton (and facilities specialist) focused on drilling cost reductions, reservoir sweep efficiencies and minimising footprint



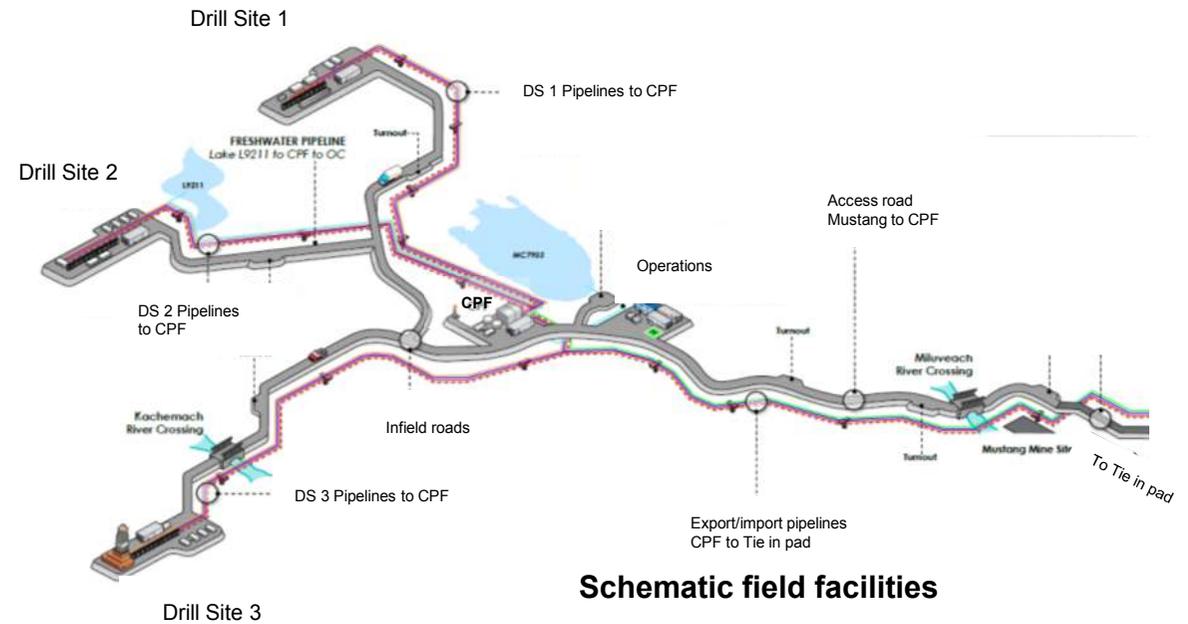
(1) OSH estimate of gross resource for purposes of the acquisition

DEVELOPMENT PLAN INFRASTRUCTURE – Phase 1

Plan advanced, EIS under review

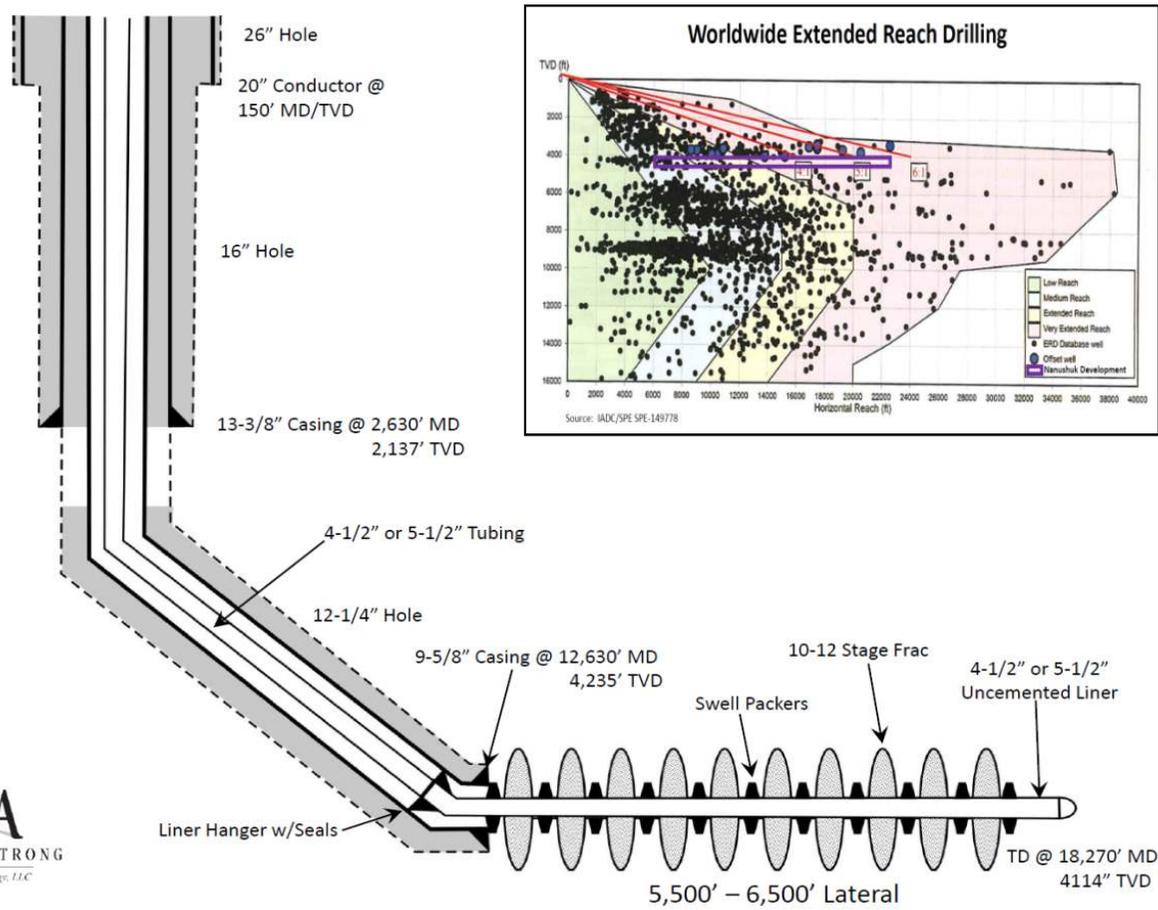


- ◇ National Environmental Policy Act (NEPA) process has been initiated by the US Army Corps of Engineers (USACE):
 - Environmental impact statement (EIS) process is well underway and expected to be complete by end 3Q18
- ◇ OSH looking to review comments and identify optimisation opportunities:
 - Maximise cooperation with other operators, especially COP
 - Minimise footprint, capex and drilling costs in alliance/team approach with Halliburton and select contractors (already commenced)
- ◇ OSH planning to fully engage community and identify long term alignment projects:
 - Early engagement already commenced



PIKKA DEVELOPMENT

Well design – proven technology; room to optimise



- ◆ Well cost based on a 39 days duration:
 - Major opportunities to drive down the costs
- ◆ Longer wells are planned to step out ~26,000ft (7,800m) with horizontals 6,000ft (1,800m):
 - Multistage vertical fracturing operations through horizontal section
 - Enhance vertical communication & deliverability using latest technology (Halliburton expertise)
- ◆ Multi year programme and batch drilling from single location supports new fit for purpose drilling rigs:
 - Major economies of scale
 - Local business opportunities
 - Major opportunity to reduce well numbers
- ◆ Halliburton expertise will provide access to latest technologies



MATERIAL EXPANSION SCENARIOS ARE POSSIBLE

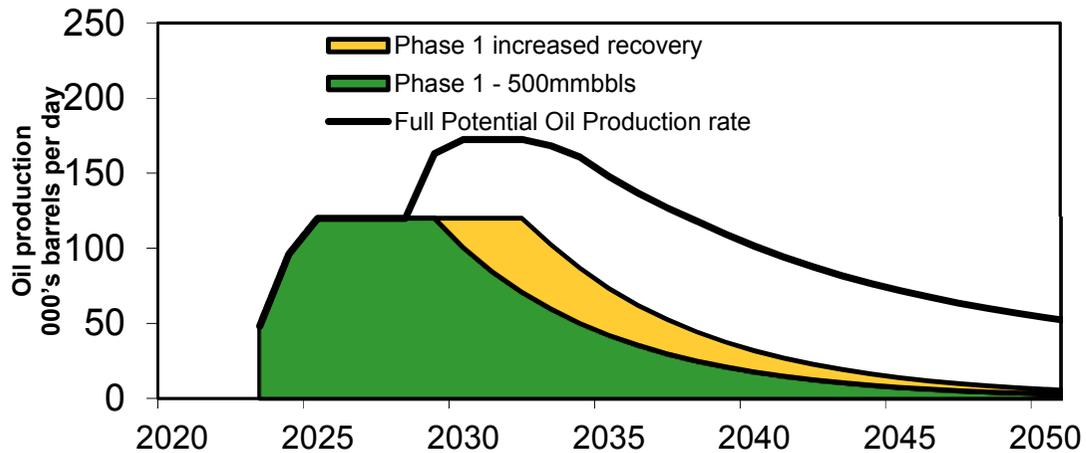
Driven by appraisal, cooperation & exploration



- ◆ Phase 1 acquisition case Pikka Unit only:
 - 500 mmbbl recoverable
 - Production ramps up to ~120,000 bopd by 2024.

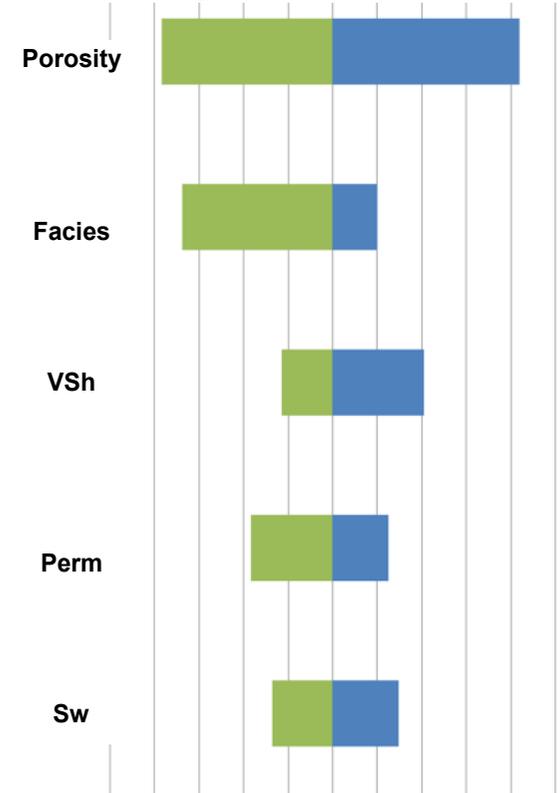
- ◆ Phase 1 example upside case Pikka Unit only:
 - Example: 700 mmbbl recoverable based on enhanced recovery factor (35% vs 26% base case)

- ◆ Full potential of 1.2 bnbbbls (Pikka + Horseshoe + Pikka Nth) based on Repsol estimates⁽¹⁾
- ◆ Higher resources to be confirmed by 2018/19 appraisal programme ahead of FID in 2019



(1) Repsol press release of 9 March 2017

OSH Acquisition Case Sensitivity analysis (500mmbbl)



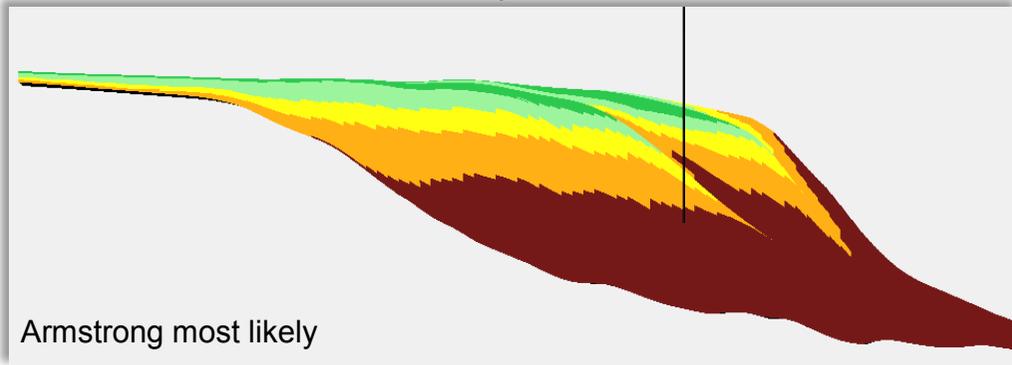
NANUSHUK VOLUMETRICS

OSH acquisition case estimate ~60% of Armstrong and Repsol most likely recoverable resource

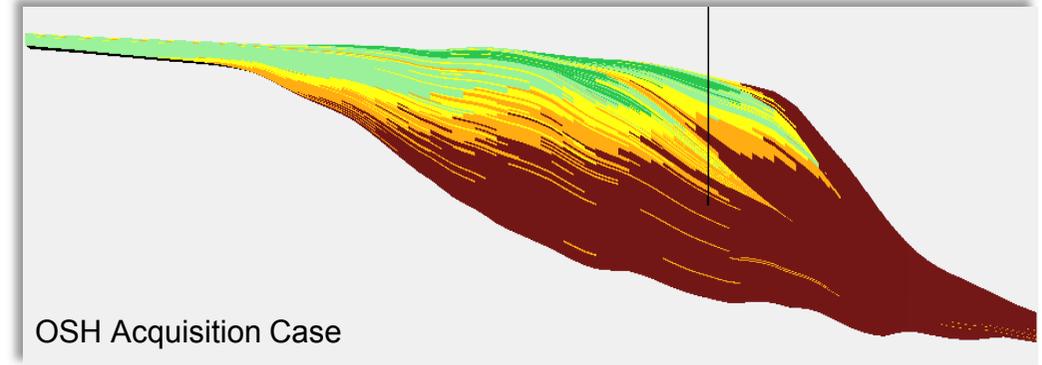


Operator static model

Qugruk #8



OSH modelling Pikka Unit



- ◆ Key difference is contribution of C & D facies, V_{shale} cut-off and porosity
- ◆ OSH took very conservative approach to confirm minimum threshold volumes and programmes required to resolve risk
- ◆ Appraisal programme will address these uncertainties through planned drilling, testing and coring programmes
- ◆ Likely two well 2017/18 programme by COP to confirm field extent on its acreage
- ◆ 2018/19 programme to define Phase 1 development scale

PIKKA PHASE 1 DEVELOPMENT OPTIMISATION

Substantial opportunities exist to enhance recovery, reduce costs and infrastructure footprint



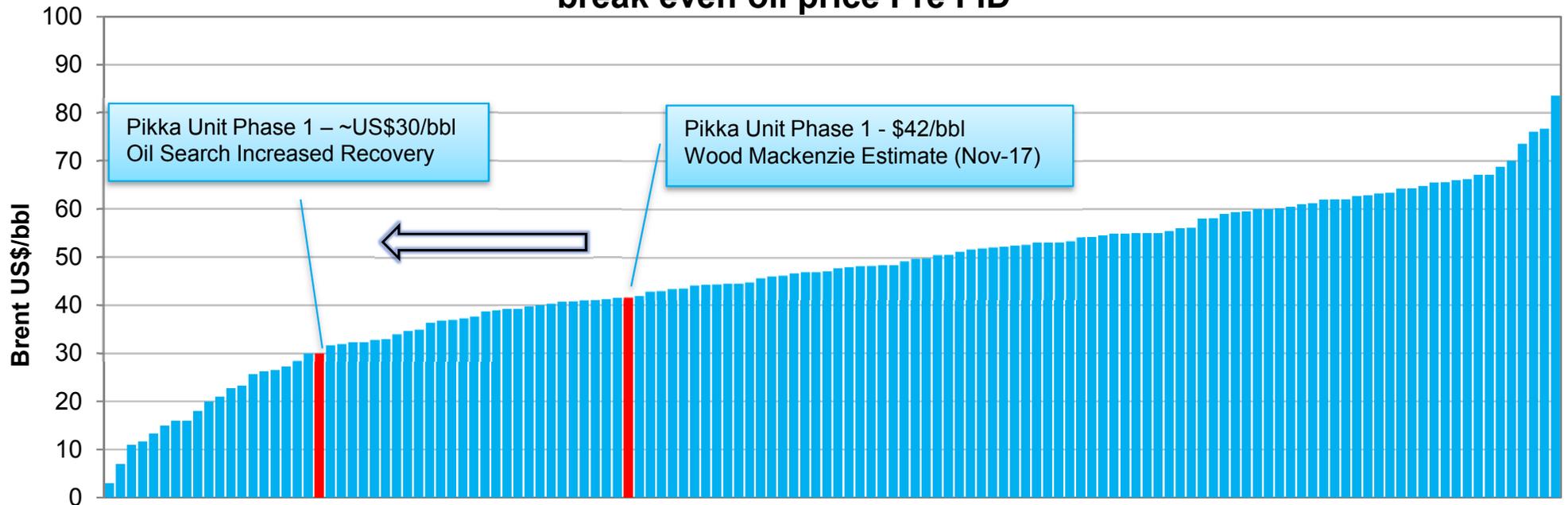
Opportunity	Pikka Phase 1 acquisition case	Pikka Phase 1 increased recovery	Detail
Increase throughput (bopd)	80,000-120,000	>120,000	<ul style="list-style-type: none"> Potential to expand with appraisal
Development Well cost (\$US million)	\$18m/well	<\$15m/well	<ul style="list-style-type: none"> Drilling efficiencies will eventuate during the course of the campaign Expectation is that overall drilling budget may be cut by 30% Likelihood of fit for purpose rig at each drill site
Wells (no.)	120	<100	<ul style="list-style-type: none"> Numbers based on 414 acre injector/producer well. Better reservoir connectivity/continuity/quality could lead to a significant reduction in overall well numbers Use of longer lateral sections & technology
Recovery (%)	26 (average)	>35	<ul style="list-style-type: none"> Initial development targets the good quality A and B facies. Significant oil-in-place exists in the C and D facies. Multilaterals to better sweep the poorer facies Well placement and pattern optimisation may improve recovery Additional EOR techniques will be evaluated
Capex (\$US million)	US\$4.2bn	<US\$3bn	<ul style="list-style-type: none"> Currently includes 30% contingency Optimisations on scale of footprint identified
Opex (\$/bbl)	Fixed \$109m/pa Variable \$2.86/bbl Transportation \$7.43/bbl	Fixed \$109m/pa Variable \$2.86/bbl Transportation \$7.43/bbl	<ul style="list-style-type: none"> Depends on level of cooperation Roads on eastern side of Colville result in easier access
Breakeven Oil Price (\$/bbl) 2017 Terms	~\$37/bbl (500mmbbls)	~\$30/bbl (500mmbbls) ~\$28/bbl (700mmbbls)	<ul style="list-style-type: none"> Assumes ~26% recovery factor & lower capex Assumes ~35% recovery factor & lower capex

PIKKA PHASE 1 DEVELOPMENT BREAK-EVEN PRICE

Compared to undeveloped Global Projects



Pikka Unit Phase 1 Development compared to new Global Projects
break even oil price Pre FID



Source: Wood Mackenzie
Upstream Insights
Global upstream project tracker: Q317

INDICATIVE TIMETABLE TO FIRST OIL

Appraisal programme will define final configuration & timing of the Nanushuk development



- | | | | |
|---|--|---|---|
| <ul style="list-style-type: none"> ◆ 2017/18: COP appraisal drilling ◆ Stakeholder engagement ◆ 2018/19: 3-6 appraisal wells in Pikka and Horseshoe ◆ EIS - OSH looking to reduce environmental footprint & optimise development ◆ FEED contractors selected | <ul style="list-style-type: none"> ◆ Dev plan final ◆ Community plan ◆ Permitting & approvals ◆ Contracting ◆ Option to acquire remaining % by mid-2019 | <ul style="list-style-type: none"> ◆ Drilling ~50+ producers & ~50+ injectors from 3 drill centres ◆ Construction of ~60 km pipelines ◆ Construction of ~42 km roads ◆ 1 central processing facility or cooperative development with adjacent operators | <ul style="list-style-type: none"> ◆ ~80,000-120,000 bbl/d plateau ◆ Target 500 - 700 mmbbls oil recoverable from Phase 1 ◆ Appraisal for Phases 2 & 3 |
|---|--|---|---|



Appraisal well pad



Kuparuk In-field pipeline



Development well pad



Alpine Central Processing Facility (ConocoPhillips)

PIKKA DEVELOPMENT: KEY STAKEHOLDERS

Stakeholder engagement is a key focus and has already commenced



Kuukpiik Corporation & the Village of Nuiqsut

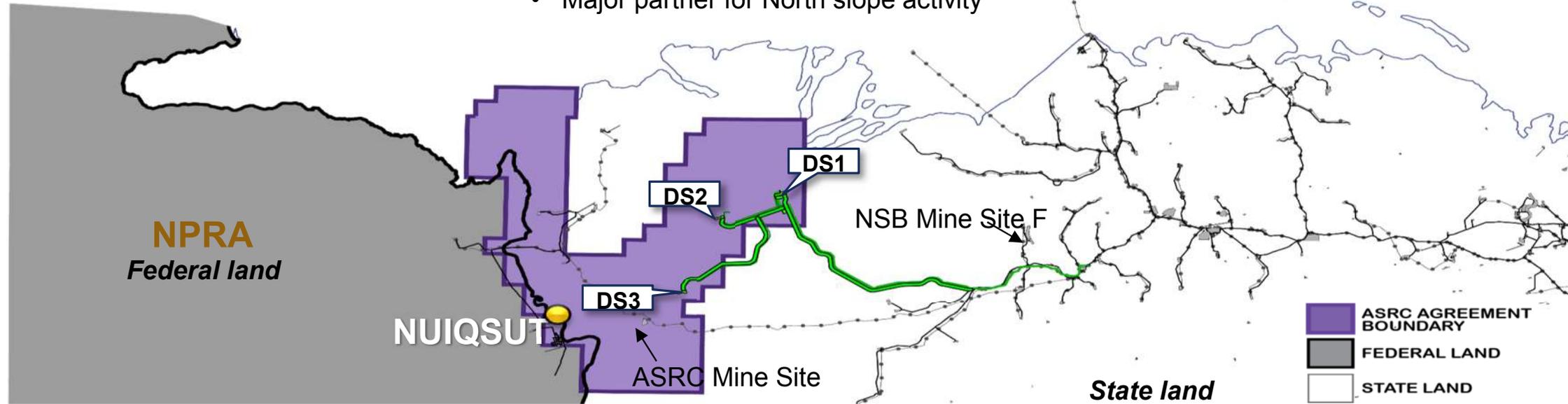
- Surface land owner with strong ties to land & environment
- Community of <500 with diverse interests

Arctic Slope Regional Corporation (ASRC)

- Joint ownership of mineral resources
- Strong capability and holder of material investments
- Major partner for North slope activity

State of Alaska

- Majority stake in mineral resources
- Strongly supportive of developments
- Very active and informed regulator



COMMUNITY ALIGNMENT : IT'S PART OF OUR DNA

OSH uniquely positioned and committed



- Meetings with some key community organisations have already commenced
- Workshops reviewing issues, challenges and opportunities scheduled
- OSH reviewing comments from the community engagement process for the EIS review
- Plan for a thorough community engagement programme to ensure alignment through:
 - Maximising cooperation,
 - Minimising environmental footprint & interference
 - Defining sustainable and material business opportunities
 - Defining other community & joint initiatives
 - Defining and agreeing direct jobs, 3rd party services
 - Preserving and respecting culture

ENVIRONMENT

Alaska North Slope in summer



- ◆ Most exploration and appraisal operations are undertaken during the winter to mitigate damage to the Tundra

Alaska North Slope in winter



- ◆ The average temperature on the North Slope +15° Celsius during the summer to -40° Celsius in winter
- ◆ Permafrost extends down to a depth of ~600m
- ◆ Year round road access via Dalton Highway and ice / gravel road network



- ◆ Once development pads are installed, drilling can take place all year round
- ◆ In the event of a development, all weather gravel roads and drilling pads are constructed allowing operations to occur 12 months of the year

ALASKAN TEAM TO BE AUTONOMOUS

No impact on PNG activities, no impact on management's commitment to PNG

ANCHORAGE ALASKA

- ◇ Senior OSH management team initially focused on:
 - Transition to operator (likely to occur 1Q18)
 - Drive culture & build capability
 - Prepare for 2018/19 appraisal programme
 - Community relations, government affairs, operations, development planning, Halliburton Alliance, JV management
- ◇ Staffing:
 - Targeting initial in-country team of ~30, expected to grow during development phase (mix of full-time & alliance contractors)
 - Key Armstrong Anchorage-based personnel to transition across to OSH (Community Affairs, permitting, legal and HSE)
 - Focus on employing experienced North Slope experts (drilling, logistics, legal, operations)
 - Workshops underway to utilise and integrate expertise in Armstrong and Repsol
 - Halliburton Alliance workshops already commenced, focused on field development optimisation, technological implementation to optimise recoveries and reduce well count/costs
 - Also focus on utilising local community companies and Alaskan contractors

SYDNEY SUPPORT

- ◇ Dedicated subsurface and exploration teams
- ◇ Compliance oversight

KEY EVENTS IN ALASKA – 2017/2018



PNG UPDATE

PETER BOTTEN – MANAGING DIRECTOR

PNG LNG PROJECT

Performance well above expectations



- ◇ Outstanding performance since coming onstream in mid-2014:
 - Average production rate of 8.2 MTPA in 1H17, 8.6 MTPA in 3Q17 following compressor upgrades
 - Sales supported by 50% and 12% increase in 1P and 2P gas reserves, respectively, following recertification by Netherland Sewell in early 2017
- ◇ Further work on compressors completed – should enable current higher levels of production to be maintained / exceeded
- ◇ Modifications to Hides Gas Conditioning Plant (HGCP) and work on tie-in of two Angore wells planned for 1H18, new wells expected onstream in mid '19. HGCP optimisation benefits expected from 2H18
- ◇ Globally competitive production costs

MARKETING OF UP TO 1.3 MTPA – PROPOSALS UNDER EVALUATION

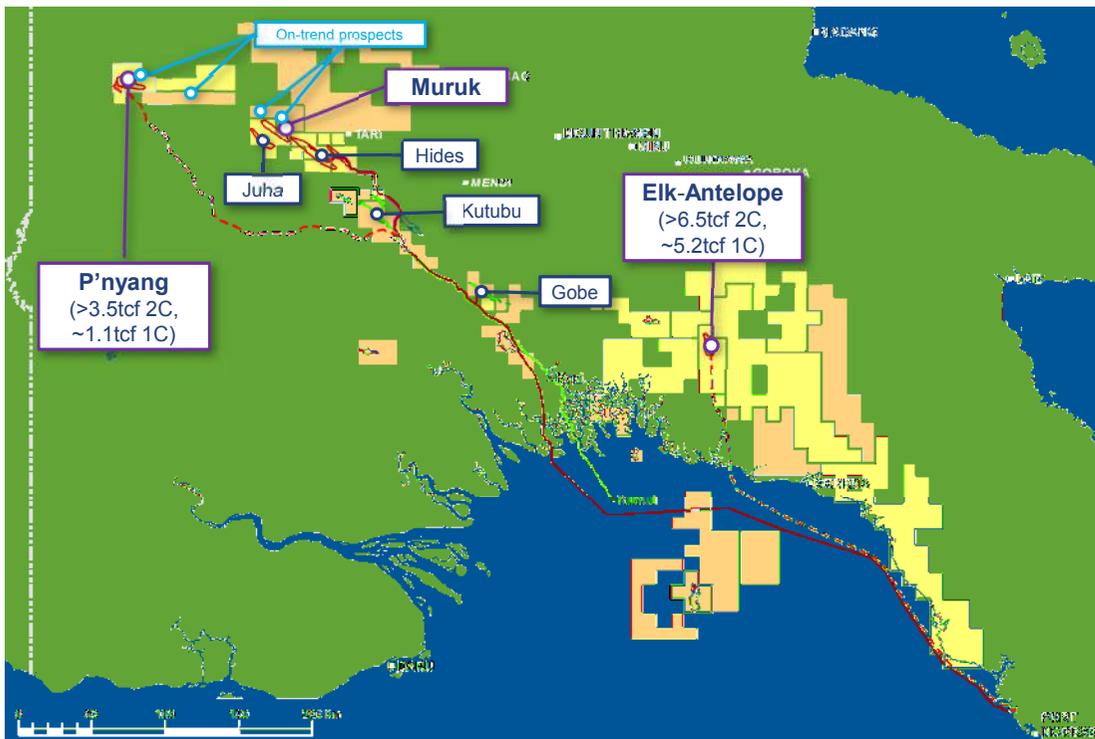


- ◆ Additional 1.3 MTPA of medium term duration LNG volumes being marketed by ExxonMobil on behalf of PNG LNG Project participants
- ◆ Current market conditions have tightened for spot/strip sales, stronger terms available to Sellers
- ◆ Heightened interest from market in sales process covering up to 5 year period:
 - Proposals received from top-tier LNG buyers, including end users and traders
 - Proposals being evaluated with recommendation expected from Operator before end December
 - Expected to result in binding contract(s) in 1Q18

EXISTING MARKETS FOR CONTRACTED LNG VOLUMES



LNG EXPANSION MOVING FORWARD



- ◇ Key issues being actively progressed
- ◇ Final engineering report to be provided to co-venturers before Christmas:
 - Detailed options for downstream configuration
- ◇ P'nyang South 2 approaching target:
 - Indications likely before year end
- ◇ Project structures being defined
- ◇ Progress achieved on core project financing and marketing arrangements:
 - Details being worked
- ◇ Key project definition expected in New Year



Oil Search

FINANCIAL OVERVIEW

CHELSEA MCGREGOR – GROUP TREASURER

STRONG FINANCIAL POSITION

LNG expansion and Alaska expected to be funded from existing balance sheet



ASSET BASE

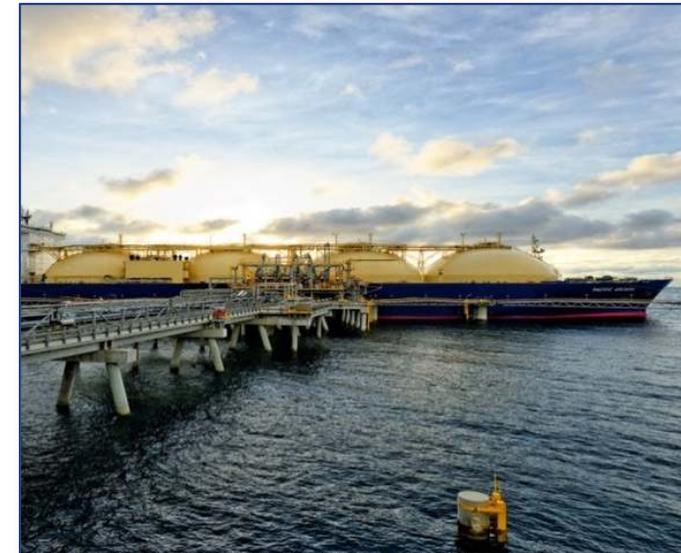
- Strong free cash flow from PNG LNG and operated oil assets
- Capex programme for exploration and evaluation largely discretionary

BALANCE SHEET

- Current liquidity of ~US\$2 billion
- Cash of US\$1.2 billion
- US\$850 million of committed undrawn bank lines

FUNDING & LIQUIDITY

- LNG expansion and Alaska capex requirements modest, with potential to be optimised
- Both developments likely to be project financed, reducing corporate level funding
- Oil price used for planning toward lower end of banking and industry peer range
- Net debt likely to peak in 2023, with PNG LNG project debt substantially repaid
- Dividend policy (35-50% payout) will be maintained
- Likely development scenarios do not require equity raising



STRONG CASH FLOWS FROM PRODUCING ASSETS

Sufficient to underpin development funding



PNG LNG PROJECT CASH FLOWS

- Healthy debt service cover ratio (DSCR) > 1.25x required under lender covenants for distributions
- US\$1.7 billion of distributions received to end 2017
- Between 2018-2023, OSH forecast share of revenue ~US\$9 billion and distributions ~US\$3 billion
- Every US\$5/bbl increase in realised oil prices would increase distributions by ~US\$100 million

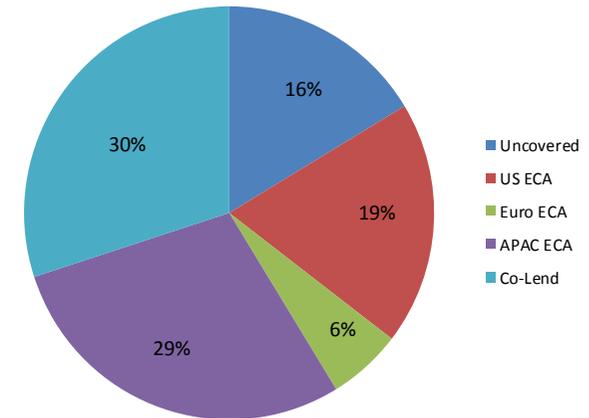
PNG LNG PROJECT DEBT

- 70% debt financed, with more than half of debt coming from ECAs
- Accelerating repayment profile, nearly 60% repaid by 2023, fully extinguished by end 2026

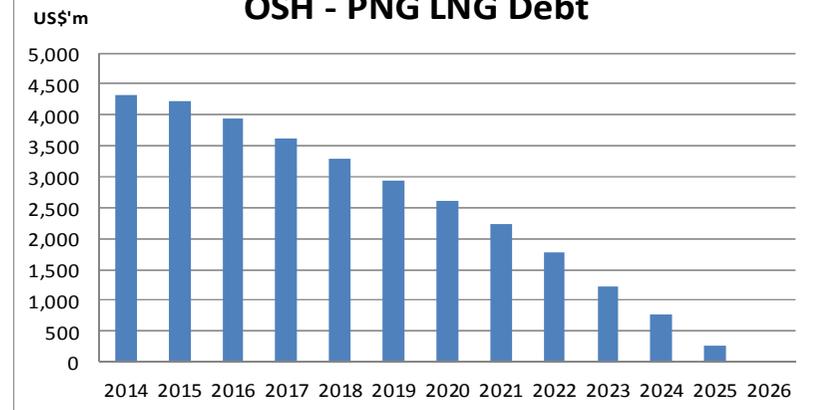
OPERATED OIL ASSETS

- Declining production profile, but still contributing valuable free cash flow over the development period for LNG Expansion and Alaska

Sources of PNG LNG Debt



OSH - PNG LNG Debt



BALANCE SHEET STRENGTH

Able to support both projects

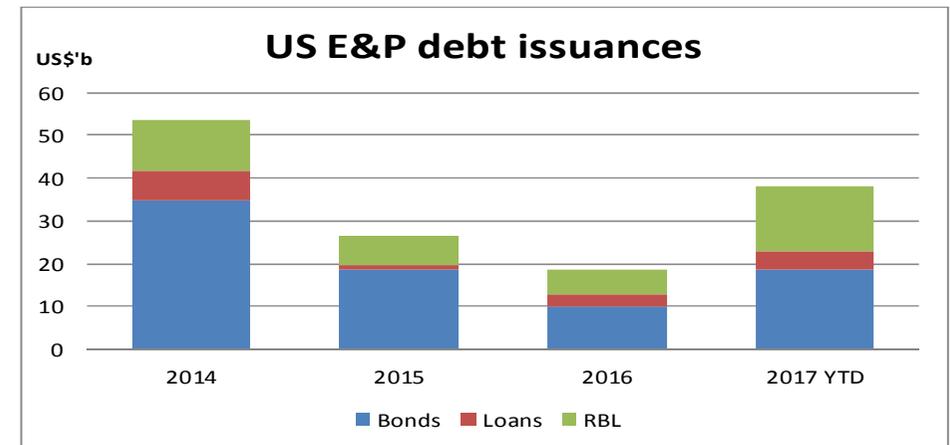


LNG EXPANSION DEBT ASSUMPTIONS

- OSH share of development costs for 2018–2023, before project debt funding, estimated to be US\$2.6 - 3.5 billion
- 60% debt/40% equity
- OSH's equity contributions US\$1.1 - 1.4 billion, funded from PNG LNG free cash flows, surplus cash and undrawn bank lines
- Expect strong support from government financiers – MLAs and ECAs; PNG LNG repayments freeing up capacity for those lenders
- Funding margins & upfronts expected to be similar to PNG LNG

ALASKA NORTH SLOPE DEBT ASSUMPTIONS

- OSH share of development costs (25.5% working interest in Pikku Unit) for 2018-2023, before project debt funding, estimated to be US\$0.8 -1.3 billion
- 60% debt/40% equity
- OSH's equity contributions US\$0.3 - 0.5 billion, funded PNG LNG free cash flows, surplus cash and undrawn bank lines



- US debt markets offer range of financing options for conventional oil developments
- Funding costs expected to be more competitive than PNG LNG due to capacity and no developing country risk premium

TAX ASSUMPTIONS FOR ALASKA

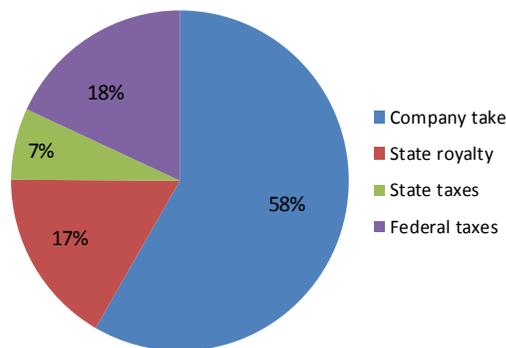
Globally competitive tax regime



ALASKA

- Government take expected to be ~42%
- US tax reforms have potential NPV benefit of up to ~US\$150 million on initial Alaska investment, doubling if option exercised, primarily due to decrease in federal tax rate from 35% to 20%

Alaska - Revenue allocation



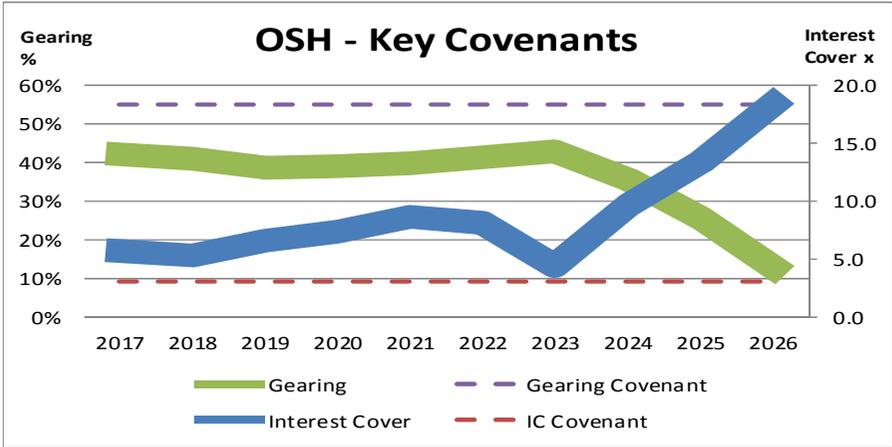
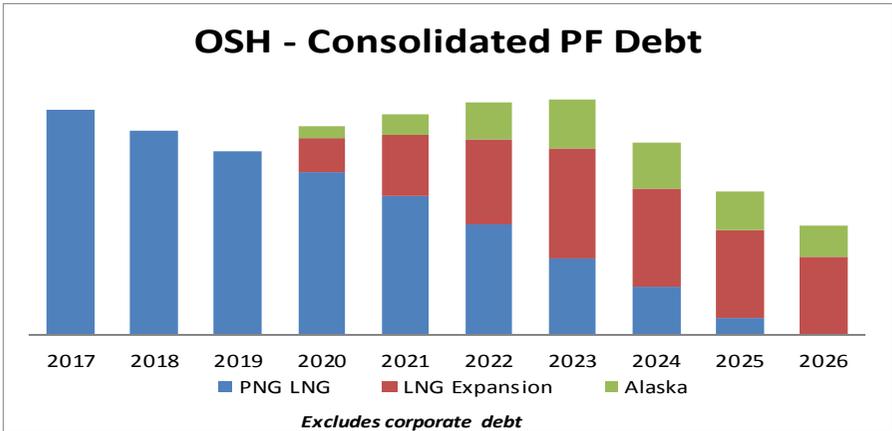
Alaska North Slope Illustrative US Cash Tax Calculation	Ref	
Revenue	A	100.0
State royalty ((A)x 16.7%)	B	(16.7)
Private royalty (licence by licence estimate based on (A) x %)	C	(1.7)
Property tax (estimated at 2% of Net Book Value)	D	(0.3)
Production Tax:		
Qualified Lease Expenditure (estimate)	E	(25.0)
Exempted - 30% of revenue less royalty ((A)-(B)) x 30%	F	(35.0)
Production tax value ((A)-(B)-(C)-(D)-(E)-(F))	G	21.2
Production Tax at 35% ((G) x 35%)	H	7.4
Less: production tax carry forward loss credit – illustrative (credit equals 35% of the carry forward loss amount)	I	(3.5)
Less: per Barrel Credit - offset production tax - illustrative (US\$5/bbl credit)	J	(2.5)
Production tax payable (after credit) ((H)-(I)-(J))	K	(1.4)
Conservation surcharge (US\$0.05/bbl)	L	(0.1)
State taxes (9.4% of taxable income incl. deductions for depreciation & taxes paid)	M	(5.3)
Federal taxes (35% of taxable income incl. deduction for depreciation & taxes paid)	N	(18.0)
Company take (incl. private royalty) ((A)-(B)-(D)-(K)-(L)-(M)-(N))/(A)	O	58.1%
Government take (1-(O))	P	41.9%

CONSOLIDATED FINANCIAL POSITION

Key financial metrics within lender covenants



- Consolidated project financed debt forecast to peak at US\$3.3 - 4.1 billion in 2023
- Assumes US\$850 million of corporate facilities will be maintained and drawn as necessary during construction
- Corporate debt levels managed to provide additional liquidity as required:
 - Drawdowns depend on oil price, project costs & gearing, and discretionary spend
 - Discretionary spend, largely exploration, can be curtailed if needed
- Key financial metrics forecast to remain comfortably within lender covenants:
 - Gearing in 40-45% range, similar to 42% peak gearing for PNG LNG in 2015
 - Interest Cover forecast > 3.5x



CASH FLOW PRIORITIES HAVE NOT CHANGED

OSH focused on strict capital prioritisation

DEVELOPMENT PHASE – UP TO 2023

- OSH share of equity contributions for both LNG expansion and Alaska development to be funded from PNG LNG free cash flow, cash and corporate facilities
- Surplus cash flows of US\$1.1 - 1.6 billion before dividends and other growth initiatives
- Exploration and other discretionary spend can be curtailed if needed

OPERATIONAL PHASE – FROM 2023

- PNG LNG, LNG expansion and Alaska will generate free cash flow in excess of US\$2-3 billion pa until 2026, when further uplift occurs with PNG LNG debt fully repaid
- Debt repayments for LNG expansion and Alaska expected to be ~ \$0.5 billion pa, similar to current PNG LNG annual repayments

Free cash flows

After scheduled debt servicing, sustaining capital expenditure and commitments

Dividends

In accordance with dividend policy to distribute 35-50% of core NPAT

Growth Capital Investments

LNG expansion in PNG & Alaska North Slope

Other Growth Initiatives

Exploration, New Ventures

Surplus Capital

Return to shareholders:

- Share buy-backs, special dividends

SUMMARY

PETER BOTTEN – MANAGING DIRECTOR

SUMMARY

A measured & focused acquisition with material growth



◆ **Combined with world class PNG assets, Alaska provides OSH with unprecedented platform for growth:**

- Highly complementary to OSH's low-cost, Tier 1 PNG portfolio
- Acquired at a highly competitive price
- Low operating cost project with breakeven oil price ~US\$37/bbl , pre-optimisation (OSH estimate)
- Potential to add 125 - 175 mmbbls net to OSH booked resources (base case vs optimised Pikka Phase 1)

◆ **Able to control commercialisation pathway and leverage OSH's exploration and development capabilities:**

- OSH will operate appraisal and development (similar scale to OSH's operations in PNG)
- Halliburton to assist building long-term operating capability (analogous to PNG)

◆ **History of value-accretive M&A with long term strategic benefits:**

- Very considered, focused and potentially material assets acquired at attractive point in oil price cycle
- Fits with OSH's strategy of increasing oil exposure and building best-in-class and focused portfolio
- Acquisition, exploration, appraisal and development, as well as PNG expansion and exploration, can be funded from existing cash, cash flows and dedicated corporate facilities

◆ **No change to OSH's ability or focus on delivering full value from PNG portfolio:**

- Consistent with OSH's focus on delivering top quartile total shareholder returns over next 5 – 7 years
- No near-term requirement for any further new business. Focus on delivering full value from OSH's world class portfolio
- No change in dividend policy planned

Q & A

